

THE JOURNAL

AARP INTERNATIONAL

SUMMER 2009

"WITH A WIDE RANGE OF PATTERNS IN RETIREMENT AGE AND ACCESS TO HEALTH CARE, PENSION SCHEMES AND SOCIAL BENEFITS IN DIFFERENT COUNTRIES, THE REALITY OF THE CRISIS IS HITTING, WITH VARYING INTENSITY..."

- Juan Somavia, Director-General, International Labour Organization

AARPSM

"These challenges are also opportunities for local communities and the global community to address the quite poignant economic issues currently facing the world, and to leverage the enormous potential of our senior citizens to increase our overall well-being."

Kiyotaka Akasaka
Under-Secretary-General
United Nations



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PHOTO: JOHANNES JANSSON, NORDEN.ORG

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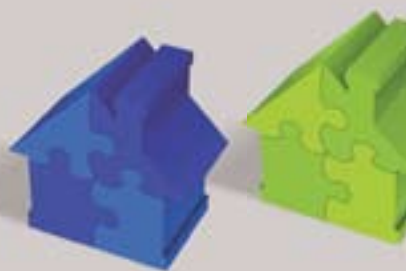
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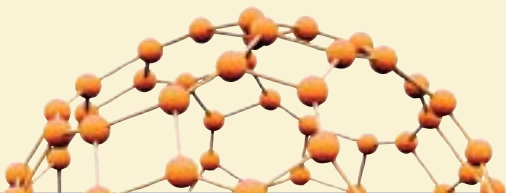
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THE BIG PICTURE

From the Editor



Since our last issue, the world has been buffeted by a global financial and economic crisis that has impacted every country and society. Older people in many countries are the most susceptible to these disruptions and uncertainties. Within the United States, retirement savings accounts have lost an estimated four trillion dollars in value since July 2007. This figure does not include the drastic fall in house values. Declining assets and growing uncertainty and anxiety have forced millions in the United States and other countries to delay retirement. At the same time, higher unemployment makes it more difficult for older workers to keep existing jobs or find or compete for new ones. In many instances, they are hampered by discriminatory policies and outmoded perceptions of older people as feeble or unproductive.

The global crisis has also highlighted one of the greatest vulnerabilities for older people—access to affordable, quality, health care. Both the new US president and AARP's new CEO have made health care reform their number one priority. Barry Rand discusses this imperative in this edition's letter *From the CEO*. AARP believes that 2009 offers an opportunity for comprehensive reform to provide affordable coverage to all Americans and an expansion of programs to help and encourage people of all ages to stay healthy and to thrive into their later years. We look to other countries' experiences to help guide the United States in these important reforms. We are now exploring how countries have successfully adapted health-related policies related to biologic drugs, health IT, and cost containment, and looking in-depth at national

We look to other countries' experiences to help guide the United States in these important reforms.

experiences in successful reform, such as the Netherlands, France, and Japan.

This edition of *The Journal* is dedicated to the economic crisis and its impact on older people globally. Juan Somavia, the Director General of the International Labour Organization (ILO), outlines the ILO's "Decent Work Agenda", in the context of the global crisis (page 36). The agenda has four strategic objectives—promoting fundamental principles and rights at work, promoting employment and enterprise creation, extending social protection, and reinforcing social dialogue—all of which aim to address demographic transition and population aging. In a wide-ranging interview, United Nations Under-Secretary-General Kiyotaka Akasaka highlights the importance of continued engagement of older


citizens, as their experience and perspectives, as well as volunteerism and mentoring, can benefit the whole of society (page 102).

AARP continues its collaboration with the European Union and on page 14, Swedish Minister for Social Security Cristina Husmark Pehrsson discusses her country's experience with major reforms of the social security system and introduces priorities of the upcoming Swedish Presidency of the European Union.

In the area of health care, Dr. John Beard of the World Health Organization's Department of Ageing and Life Course, sheds light on the impact the global crisis has had on health care provision for older people (page 66). In particular, he notes the dramatic drop-off in preventative care suffered when



The societies that best tap into the talents and experience of their older citizens will emerge strongest from this crisis and be better able to cope with challenges in the future.



older people and their families lose income. John Engel, a lawyer and biopharmaceutical expert, explores the important role of biologic similars (or generic biologics) in making drugs more accessible and affordable, highlighting the European Union's well-regarded approach towards regulation of this sector (page 72).

This issue also approaches the financial crisis from the perspectives of three distinct regions— Latin America, Europe, and Asia (page 20). Dirk Jaspers Faijer, director of the UN's Population Division of the Economic Commission for Latin America and the Caribbean (ECLAC), highlights how the current recession is exacerbating gender and generational inequalities in the region,

with women, children, and the elderly suffering the most. Xavier Prats Monné, of the European Commission's Directorate General for Employment, Social Policy and Equal Opportunities, explains the strategic importance of older workers in the economy and the vital role of Europe's extensive social safety net in protecting the 50+ population during the current downturn. Andrew Mason, of the University of Hawaii, discusses the impact in Asia and how these countries are positioned to address the economic security challenges faced by the region's older citizens.

To complement the regional roundup, Mac Hisey, President of AARP Financial Inc., shares the US perspective on the "Great Recession" and the important role individuals,

Washington policy makers, and the financial industry can play in dealing with this crisis (page 108).

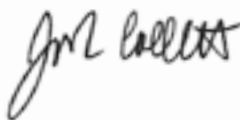
As always, AARP's Office of International Affairs seeks to identify and highlight the best policy initiatives and experiences from all over the world, promoting age-friendly policies and informing efforts at reform within our own country. The 2009 AARP International Innovative Employer Awards, in its second year, has again attracted applications from non US-based employers who have demonstrated commitments in attracting and retaining mature workers. The awards program is inspired by AARP's Best Employers for Workers Over 50, a domestic program started in 2001. Applications were received from employers in six countries representing the following industries: manufacturing; engineering; human services; retail; health care; public services; hospitality; and energy. Winners will be announced in September 2009 and are selected for having the most comprehensive policies for attracting and retaining mature workers in the areas of training, flexible work arrangements, health promotion, diversity promotion and recruitment. Find best practices from four award recipients from the 2008 AARP International Innovative Employer Awards on page 48.

In recent months we have continued our international outreach, collaborating with the Organization for Economic Cooperation and Development (OECD) and the government of Singapore. AARP is a sponsor and participant of the OECD's 2009 forum, "The Crisis and Beyond: For a Stronger, Cleaner, Fairer Economy." The annual conference convenes global leaders for discussions on the most pressing economic issues currently facing the

world. This year Ladan Manteghi, President of the AARP Global Network and Senior Vice President for International Initiatives, will present AARP's views during a panel session exploring strategies for creating sustainable and adequate pension systems.

In January, we expanded our outreach in the Pan-Pacific region by co-hosting "Reinventing Retirement Asia: Employment and Active Engagement Beyond 50" in Singapore with the Council for Third Age (C3A). More than 400 experts, including the Prime Minister of Singapore, discussed the opportunities presented by older workers to contribute to society and the economy. During the forum, major changes were announced in Singapore's workforce policies and strategies to promote the recruitment and retention of older workers. You will find an executive summary from this conference on page 58.

We hope that this issue's focus on the financial crisis will, in retrospect, have marked the beginning of the end of the global recession. Regardless of the length or extent of this economic downturn, two facts are inevitable—the world's population will continue to age and the world will confront new and unexpected dilemmas. The societies that best tap into the talents and experience of their older citizens will emerge strongest from this crisis and be better able to cope with challenges in the future.



Josh Collett

Vice President

AARP Office of International Affairs

From the CEO



I came to AARP because of its social mission. Throughout my life, I have always thought of myself as a catalyst for social change. It's my passion. It's what I've always been about. And, I came by it honestly. My parents were firm believers in the biblical adage, "for those to whom much is given, much will be required." And they would ask me the question that I have continued to ask myself—and others—throughout my life: "What is your contribution going to be?"

Everywhere I have worked, my goal has always been to open the door to the American Dream for all people...to broaden the culture of America by making it more inclusive.

And to me, that's what AARP is all about. In 21st century America, the foundation of the American Dream is quality, affordable health care and financial security. Those are fundamental—no one can achieve the American Dream without them. But it is also

about much more. The American Dream today is also about having options:

- > The option to continue working if you want or need to;
- > The option to live in your own home or community for as long as you can;
- > The option to continue contributing to society—to give back—in the way of your choosing;
- > And, there's nothing wrong with having a little fun along the latter part of your journey.

AARP is one of the few organizations in the world with the power to influence and the capability to open the door to the American Dream for all people. And that door shouldn't close just because you are getting older or because you live outside the United States.

As Executive Vice President of Word Wide Operations at Xerox, I oversaw a workforce

of more than 70,000 employees in over 150 countries. At Avis, where I was CEO, we operated in several countries. And I later served as CEO of Equitant, an Ireland-based provider of outsourced management services. Those experiences taught me that the American Dream isn't just for Americans. It is also the Italian Dream, the Canadian Dream, the German Dream, the Indian Dream, the British Dream, the Irish Dream and on and on. It's the "Universal Dream". As people get older, they want and need many of the same things, regardless of where they live. They want options for living their lives. And they want health and financial security. They want to be included in their societies and to be able to enjoy the opportunities that life has to offer.

Marshall McLuhan was right; we do live in a "global village." Advances in technology and communication, expanded international air travel, the rise of the Internet, the ability to move capital across borders with practically no effort, and the realities of global warming, international terrorism, and the spreading of contagious diseases has brought the idea of globalization home to everyone. Pollster and author John Zogby has gone so far as to label 18-29 year-olds in the United States, the first "Global Generation."

And if further proof is required, one needs only to consider the global economic downturn the United States and the rest of the world are experiencing now. The recent G-20 conference demonstrated that the global economic crisis is causing growth rates to plunge in all of the major advanced and emerging economies, increasing demands for urgent policy responses. In an effort to reverse this trend and restore economic




As we look at this global village we live in today...we have to ask ourselves the question: "What is our contribution going to be?"


growth, many countries have implemented fiscal stimulus plans.

At the same time, governments around the world are looking for ways to shore up their pension systems and to address health needs, infrastructure and job growth.

As we look at this global village we live in today, with all of its interdependence, its challenges and its opportunities—and the first global generation moving steadily toward AARP membership age (many of their parents are already members)—we have to ask ourselves the question: "What is our contribution going to be?"



We will continue to use our experience, knowledge and resources to work with other countries to address these transformational issues. For like the American Dream, these issues are not just American—they are universal.



AARP is at the forefront of the transformational issues of our time, which impact all countries:

- > How will we address aging populations?
- > How will we ensure long-term health care and economic security for so many?
- > How will we ensure dignity and independence as we age?
- > How will we do all of this without burdening future generations with the costs?
- > How will we use our knowledge and experience to create a better world for our kids, grandkids and great-grandkids?
- > In short, how will we make sure that all people can share in this “Universal” Dream?

We will continue to use our experience, knowledge and resources to work with other countries to address these transformational issues. For like the American Dream, these issues are not just American—they are universal.

In a world where older people will outnumber children for the first time in history by 2050, one of AARP’s goals is to be a leader in global aging issues. The question is: How will we lead? Through our international work, we will lead:

- > By listening and learning—sharing our ideas with other countries and learning from their experiences. As I have worked internationally throughout my career, I’ve always been impressed with how other countries apply best practices within their cultures. It’s one thing to understand what the best practices are; it’s quite another to migrate and adapt them effectively into unique cultures and understand why they work in one culture and may or may not in another.
- > Through collaboration—by reaching beyond our borders to engage leaders of other countries to address policy challenges and help find solutions, by developing and nurturing partnerships to address common goals and by continuing to build the AARP Global Network.
- > Through inclusion—reaching out and addressing the needs of those who are often left behind.
- > And, through our voice—by being a strong advocate for global aging issues and for creating a society for all ages

that enables the generations to invest in one another and share in the fruits of that investment, guided by the twin principles of reciprocity and equity as called for by the United Nations.

We're at a pivotal time in our history. What we're going through right now both in the United States and throughout the world is giving us a glimpse of what it would be like if we have to redefine our dream. Nobody wants that. People are hurting. We see more people

struggling to get by. We see people losing the jobs, their homes, their retirement nest egg, and their health care. This is a challenge too great to ignore, not just in this country, but throughout the world. And working with other organizations throughout the world to meet these challenges will be our greatest contribution.



A. Barry Rand

CEO, AARP

A. Barry Rand, AARP's New Chief Executive Officer

A. Barry Rand became CEO of AARP in April 2009, succeeding William Novelli, who held the position since 2002.

Prior to joining AARP, Mr. Rand distinguished himself as a leader of social change in some of America's largest corporate and educational institutions. He serves as Chairman of the Board of Howard University in Washington, DC, and has served as Chairman and Chief Executive Officer of Avis Group Holdings, CEO of Equitant Ltd., and Executive Vice President for Worldwide Operations at Xerox Corporation.

He began his career at Xerox as a sales representative in 1968 and worked his way up to Executive Vice President of World Wide Operations, where he was responsible for the entire value chain for Xerox's \$18 billion business and oversaw a workforce of more than 70,000 employees in over 150 countries.

Mr. Rand is a recognized leader in corporate social change. During his 31 years at Xerox, he helped it

become the most diverse company in the Fortune 500. As these efforts gained recognition throughout corporate America, he was asked to serve on a committee that would visit other companies explaining how inclusion was possible and beneficial, and sharing best practices. He is committed to making AARP a more inclusive organization as well.

In 1999, he became Chairman and Chief Executive Officer of Avis Group Holdings, Inc. While there, he transformed Avis from the second largest car rental company to the world's leading service and information provider of comprehensive, automotive transportation and vehicle management solutions.

Mr. Rand continues to serve on a number of boards and advisory committees. He holds a BA from American University and an MBA from Stanford University where he was also a Sloan Executive Fellow. He and his wife, Donna, have two adult children.

*By Cristina Husmark Pehrsson
Minister for Social Security
Sweden*

HOLDING THE LINE: SWEDEN'S EFFORTS TO ACHIEVE FULL EMPLOYMENT AND SOCIAL INCLUSION



Due to factors such as globalization of industries, it has become more difficult for those with reduced work capacity to maintain a foothold in the labor market. Over the past two decades, there also appears to have been a shift in social norms and attitudes in favor of placing persons who have difficulty finding work into disability welfare, rather than on unemployment benefit.

This was further elevated by increasingly strict work requirements in unemployment insurance and social assistance schemes.

Labor force participation among those 50 and older is low in almost every European country. However, the reasons for that are different. In Sweden and Norway many people between ages 50 and 65 receive disability insurance. In countries such as France, Germany and Spain people tend to get old-age pension. In either case, older people tend to be excluded from the labor market well before they reach 65.

Labor market exclusion will be one of the main topics during the current Swedish presidency of the EU. The Swedish government has undertaken a major reform of the social security system during the last two years. The focus of these reforms has been twofold. First, we seek to promote early intervention shortly after a worker is inflicted with illness or injury that forces employment absence or labor market withdrawal. Second, we want to open up a way back into the labor market


for people with disability insurance and long term sickness benefits.

To this end we have imposed fixed time-limits for government determinations of disability claimants' health status and ability to work. We have also initiated different measures to make rehabilitation strategies more effective, including increased resources allocated by the new government to occupational health care and medical rehabilitation. The main focus has been to speed up the disability claim and determination process and make it more effective.

The other part of the reform, and perhaps the most controversial one, has been the introduction of a targeted negative income tax system targeting people on disability support. When I became minister three years ago, the number of persons on disability support was more than 550,000, about 10 percent of the Swedish workforce. My observation was that the vast majority of persons with partial work capacity who



The other part of the reform, and perhaps the most controversial one, has been the introduction of a targeted negative income tax system targeting people on disability support.



receive disability insurance were unlikely to ever work again. Attempts to reassess their work capacity had failed and active employment programs would have been unmanageable, given our economic resources. So we started to discuss other ways to offer this large group of people a way back into a full role in society.

One inspiration for us was the experiments with negative income tax in the United States during the 1970s. Although Milton Friedman is usually associated with this idea, the original idea of a negative income tax is far older. One seminal figure was Robert Lampman, better known for his involvement in the War on Poverty in the United States. From 1968 to 1979 the largest experiment with negative income tax was undertaken in a number of different US states.

However, the conclusions from the projects were ambiguous. The system seemed to increase labor supply in families with an initially low labor force participation. At the same time, labor supply seemed to decrease in groups whose participation in the labor market already were at the normal level.

Consequently, if a negative income tax is going to be successful as a means to increase labor supply it must be targeted towards groups with low labor force participation rates. Sweden's more than half a million people on disability benefit was actually the ideal group, because statistics show that less than one percent returned to the labor market. Hence, there was no downside either for the state finances or for people themselves. Since labor supply in this group was already practically zero, a targeted negative income tax could only have positive effects.

THE BIG PICTURE

This is the background for the large reform that was implemented in January of this year. In essence, we made disability support irrevocable for the 420,000 people that had been granted permanent disability insurance. No matter how much they try to work or study, today or in the future, they will keep their supportive entitlement from the state. They may also earn 42,800 SEK (US\$ 5,000) per year and keep all of their disability support. If a person in the program earns more than 42,800 SEK, one SEK of disability support is deducted for every 2 SEK of additional income.

If we look at the number of people affected by this reform, this is by far the largest implementation of a negative income tax scheme so far. The US experiments enrolled about 10,000 people in total, and the self-sufficiency project in Canada eight years ago enrolled about 5,000. We know that many people who have been on disability support for a long time are very ill and most will never return to work. But still, if only one percent more returns to work, we will be able to claim a success.

It is still too early to say anything about whether this new model will be successful or not. So far, about 10,000 people in the group have reported to the Social Insurance Board that they will earn money from work. And we should remember that these are tough economic times, and work is hard to find even for people who have full work capacity.

However, we have also seen positive effects of the other part of the Swedish health insurance reforms. The number of persons on sickness benefit has decreased by about 40 percent during the last three years. Also, for the first time since 1970, the number of persons on disability support has started to decrease.

Of course, Sweden is not the only European country undertaking large social reforms. We can all learn from experiences of other European countries, especially in the implementation of different job-matching schemes and the active involvement of employers and trade unions.

By focusing on social exclusion, Sweden wants to emphasize the role of the state and civil society in promoting full employment

PRESIDENCY OF THE EUROPEAN UNION

Starting on July 1, 2009, the Government of Sweden will hold the Presidency of the European Union for a six-month term. Sweden will lead the EU's work and continue momentum on a number of important issues, including job growth and labor reform, climate change and environmental sustainability, as well as healthy, active and dignified aging.



and social inclusion. The world economy is facing its worst crisis in 50 years with dire consequences for workers and their families. People with reduced work capacity were already in serious trouble before the crisis hit. Despite a booming world economy in recent years and rise in general employment and prosperity, the numbers of such persons in paid work remained static in some countries and fell in others, including Sweden. With unemployment now rising quickly due to the downturn, their ability to hold on to (let alone find) jobs is going to become very difficult unless governments do something about the barriers they face.

The way that societies think about persons with partial work capacity determines what their sickness and disability policies emphasize. It is regrettable that many countries class such persons as incapacitated and without useful labor to offer to their communities. Not surprisingly, their policies exclude them from jobs that could otherwise help protect them from economic hardship.

That is why it is critical not to repeat the mistakes of the past. We should not try to hide unemployment by reclassifying people as sick or disabled. Rather, we must prepare this group for the coming economic upturn. The challenge is to “*hold the line*” and not just subject such persons to easy solutions, which are not beneficial to them or society. Personally, I am convinced that Sweden will not repeat the mistakes of the past. Moreover, I want to use the Swedish Presidency as an opportunity to convince my fellow Europeans to also “hold the line” and to make every effort in order to achieve full employment and social inclusion.

During the first years of this government’s term I have been striving to make the social security system more focused on the individual and stimulating recovery and return to work. Reclassifying people as sick or disabled is not a long term solution to the problem of social exclusion. Rather, such a policy tends to make their exclusion permanent. A policy of active inclusion must therefore contain two important elements—first, early intervention during the sickness spell, and second, a policy to remove barriers to re-enter the labor market after a period of sickness or unemployment. Only if we combine these two strategies will it be possible to maintain a generous welfare system and a high labor force participation rate simultaneously. 🇸🇪

Cristina Husmark Pehrsson



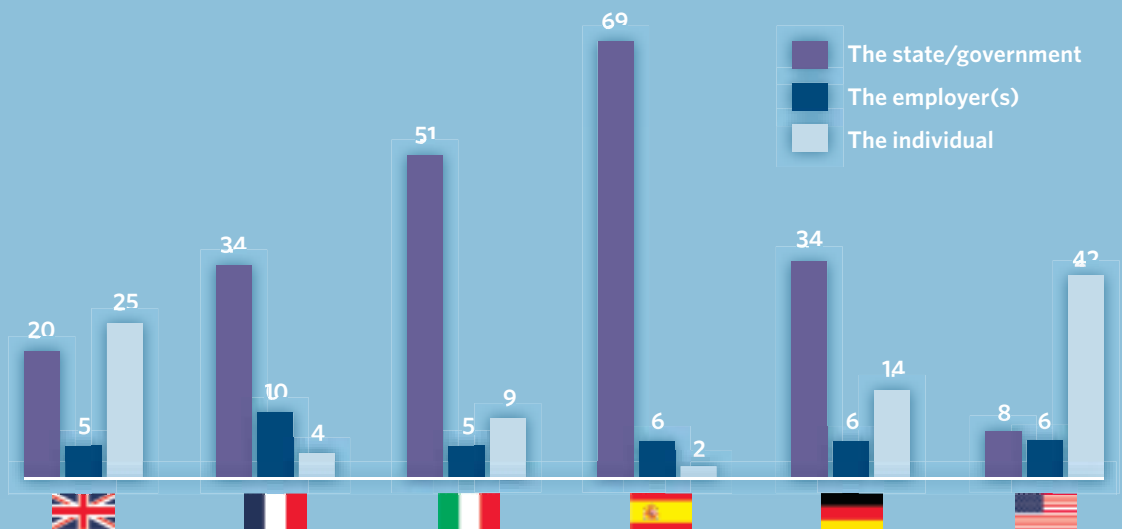
As Minister of Social Security for the Swedish Government, a position held since October 2006, Cristina Husmark

Pehrsson’s areas of responsibility include

sickness insurance, pensions, administration of social insurance, and Nordic cooperation.

AS THE ECONOMIC CRISIS CONTINUES AROUND THE GLOBE, ADULTS IN THE FIVE LARGEST EUROPEAN COUNTRIES & THE US HAVE DIFFERENT IDEAS ABOUT WHAT IT WILL MEAN FOR THEIR RETIREMENT AND THEIR PENSIONS OR RETIREMENT SAVINGS.

WHOSE MAIN RESPONSIBILITY DO YOU THINK IT SHOULD BE TO PROVIDE A SECURE INCOME DURING RETIREMENT?



Source: FT/Harris Poll conducted online by Harris Interactive among a total of 30,332 adults aged 16-64 within France, Germany, Great Britain, Italy, Spain, and the United States between April 29 and May 6, 2009.

Full poll available online at: www.harrisinteractive.com/news/FTHarrisPoll/HI_FinancialTimes_Harris_Poll_May_2009_27.pdf

Regional Roundup: Perspective from Latin America

THE IMPACT OF THE GLOBAL FINANCIAL CRISIS ON OLDER PERSONS IN LATIN AMERICA

Since 2003, the economies of Latin American countries have been growing at a pace unprecedented in the last four decades. From 2003-2007, employment has increased, unemployment has fallen and salaries have risen.¹ The Economic Commission for Latin America and the Caribbean (ECLAC) measurements of poverty have also shown significant progress. Following the stagnation period of 1997-2002, the percentage of poverty has decreased in most countries of the region²; a trend which has translated into a contraction in the incidence of poverty in households in which older persons reside. Another important achievement was the increase in public spending, mainly in the areas of social security and social assistance.³ The former directly benefits older persons, which was evident in several countries

in the region: Colombia, Honduras, Mexico, Ecuador, Panama and Paraguay.

During this same period, public policies were slowly incorporating the needs of older persons. Information gathered by the Latin American and Caribbean Demographic Center (CELADE) Population Division of ECLAC in 2007, during the Second Regional Intergovernmental Conference on Ageing showed that income protection in old age was an issue that was being integrated into public policy. While in many countries, inclusionary policies for older persons was considered a new phenomena, several countries such as Bolivia, Brazil, Chile, Guatemala and Mexico, had considerable experience with such action. Efforts to enhance services and health benefits

for the older population were also expanded in Argentina, Cuba and Costa Rica, among others. The creation of inclusive environments became viewed as a public challenge, although the scope of interventions is not widespread.

Undoubtedly, there remain major challenges with social protection in the region: only four out of ten persons over the age of 70 receive retirement income and pension income.⁴ According to a recent poll by Latinobarometer, most older people have difficulty accessing health services. These challenges coexist with high expectations to achieve better and higher levels of security in old age.

GENDER AND GENERATIONAL IMPACTS

In mid 2008, the international financial crisis began to wreak havoc in the region. Among the main effects of the financial crisis, as identified by ECLAC, are the increase in unemployment and informal employment, reduction in remittances, and purchasing power due to the increase in food prices and, as a corollary, a higher risk of poverty.⁵ Since women, children and older persons are among the most affected populations, one must also look at the gender and generational impacts.

It is difficult to accurately predict the long-term impact of the current crisis on the economic security of older persons in Latin America, but the impact could be significant. Due to the limited coverage of social security systems, a high percentage of older persons are dependent on income from work, especially in poorer countries where the economic participation of older people is higher than in the rest of the region (El Salvador, Paraguay, Dominican Republic, Guatemala, Ecuador and Bolivia). In these countries, the impact of the current


financial crisis on employment will have a direct effect on the income of older persons by a reduction of employment possibilities.

Social security systems will see a reduced volume of contributions due to the rise in unemployment and loss of informal employment. According to ECLAC, the rate of urban unemployment is expected to increase from 7.5 percent to 8.5 percent during 2009 in Latin America. As often happens in times of crisis, the volume of contributors to social security is likely to decline, which impedes the access of future generations of older persons to receive these benefits. To this end, the fragility of non-contributory schemes could be impacted in the context of escalating poverty levels.


The financial crisis will in turn affect retirees in countries with private pension systems based on the accumulation of individual capital. The sharp decline in the profitability of financial assets has suddenly decreased



Only four out of ten persons over the age of 70 receive retirement income and pension income



The economic crisis will likely cause a reduction of formal employment and thus the number of women working in decent working conditions will result in deeper gender inequalities and limited access to social security benefits.



the value of the resources accumulated. This tends to affect people who are currently close to retirement because they have no time to recover from the collapse of stock markets. To mitigate this effect, the Chilean pension system, for example, mandates that women 51 years of age and men 56 years of age invest a greater percentage of their resources in low-risk financial instruments. The Chilean pension system aims to decrease financial risk as retirement age approaches. However during 2008, low risk pension funds faced a real decline of 10.7 percent which, despite being lower than that observed in the system as a whole (-16.2 percent), is quite substantial.

The economic crisis in the region has also had an impact on women, particularly older women. Historically, women began to participate more regularly in the labor market

during a time when working conditions were restricted, and social security systems were being reformed. This had important consequences in terms of access and coverage in pension systems though women have had, and continue to have, lower savings and their rights to pension benefits and guarantees have been limited.⁶ The economic crisis will likely cause a reduction of formal employment, and thus, the number of women working in decent working conditions⁷ will result in deeper gender inequalities and limited access to social security benefits. Moreover, the increased transfer of unpaid work at home due to declining revenues and possible cuts in public services may increase the disadvantages, both in terms of health and economic security experienced by women (of all ages) who provide care at home for those suffering from temporary or permanent dependence.

INCOME FROM REMITTANCES

Similarly, a slowdown, or even drop in remittances, in several countries in the region has negatively affected older populations. In 2002, more than two out of every ten seniors living in poverty received remittances in Bolivia, the Dominican Republic and Panama. In 2004, older persons in Nicaragua were receiving more monthly remittances than social security benefits. The dependency on remittances increases with age, when there are no other provisions of income available. Decreases in income from remittances are already resulting from the economic slowdown and this has led governments to face more social demands from their older members of society. According to the Inter-American Development Bank (IADB), in the fourth quarter of 2008, remittances to Latin America registered their first

decline in nearly a decade and this trend will likely continue in 2009.

RETHINKING THE SHORT AND LONG-TERM ROLE OF GOVERNMENT

The necessity of implementing short-term measures to address the current crisis is indisputable. These, however, should not overshadow the long-term policies, nor should they ignore its effect on the most vulnerable populations. For this reason, ECLAC proposes to use the current crisis as an opportunity to build new relationships between the government, private sector and civil society. A very important aspect is rethinking the short- and long-term role of government. Several countries have already shown their ability to implement countercyclical economic measures for the short and medium term that increase public expenditure; in some cases with strong support from international financial institutions.⁸

In the long term, governments should resume operations and open new spaces for public policy aimed at: protecting the most vulnerable sectors of society, promoting technological innovation and adaptation, regulating economic activity so that the pursuit of private profit is not working against the general welfare of society, and implementing policies to confront climate change. Possible measures include: the protection of social spending, creation of employment programs and unemployment insurance. The success of such measures will insure that the negative impacts of current unemployment and low income of working age populations do not harm future generations.

It is imperative that countries who have made progress in providing for and creating opportunities for growing numbers of older

persons, continue to progress. Adopting policies, measures or laws that reduce the existing social safety nets and rights for older persons to adjust for an economic slowdown will create setbacks in terms of coverage and quality of services and benefits that have been achieved to protect and respect older persons of the region and to create a society for all ages. **A**

Footnotes

- 1 Alicia Bárcena, "Las Economías de América Latina y el Caribe: Situación y Perspectivas," Presentación de la Secretaria Ejecutiva de la CEPAL, Comité Plenario de la CEPAL, New York, 9 de febrero de 2009.
- 2 Economic Commission for Latin America and the Caribbean "Economic Survey of Latin America and the Caribbean, 2006-2007" (LC/G.2338-P Santiago, Chile)
- 3 Economic Commission for Latin America and the Caribbean "Social Panorama of Latin America 2008" (LC/G.2401-P/I Santiago, Chile)
- 4 Economic Commission for Latin America and the Caribbean "Shaping the Future of Social Protection: Access, Financing and Solidarity" (LC/L.2749 SES.31/3 Santiago, Chile)
- 5 Alicia Bárcena, "Crisis Global Interrumpe un Lustró de Logros en América Latina" *La Nación* 14 Diciembre 2008
- 6 Fabio Bertranou, "Envejecimiento, Empleo y Protección Social en América Latina" (International Labour Organization, 2006)
- 7 Alicia Bárcena, "Una Oportunidad para Cambiar el Modelo de Desarrollo" *Diario La Nación* 29 Enero 2009
- 8 For example, leaders of the Inter-American Development Bank recently proposed tripling their capital available for lending in Latin America to help limit the impact of the crisis.

Dirk Jaspers Fajier




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By Xavier Prats Monné

Regional Roundup: Perspective from Europe

GETTING THE ECONOMY BACK ON TRACK: AN OUTLOOK FROM EUROPE



The financial crisis turned into a severe economic downturn throughout the European Union (EU) in the autumn of 2008, and the outlook remains very negative. The latest forecasts indicate that the sharp downturn in economic activity in the EU is set to continue well into 2009, with the turnaround starting moderately in 2010. This severe economic downturn will have a profound impact on the labor markets and on public finances over the coming two years; around 3.5 million jobs will be lost in the EU in 2009 alone, while headline public sector deficits will more than double from 2 percent of GDP in 2008 to 4.5 percent in 2009.


Today, the immediate challenge is to ensure that an ever deepening downturn does not combine with problems in financial markets and create a vicious spiral of credit losses and write-downs, of negative growth and increasing unemployment. Action is, therefore, being taken to ensure mobilization of all the economic policy instruments available to restore the normal functioning of the financial sector and the real economy together with employment and social policy measures to ensure solidarity and restore confidence. In its recent European Economic Recovery Plan, the EU has provided a financial stimulus equivalent to 1.5 percent of its GDP and has identified the following priority actions needed to get the economy back on track:

- > Swiftly stimulate demand and boost consumer confidence;
- > Lessen the human cost of the economic downturn and its impact on the most vulnerable;
- > Help Europe prepare to take advantage when growth returns so that the European economy is in tune with the demands of competitiveness and the needs of the future;
- > Speed up the shift towards a low carbon economy.

Employment and social policies have a crucial role to play with respect to all these priorities. Apart from measures to preserve sustainable jobs, there is a need for reinforcement of activation measures, re-training and skills upgrading, better anticipating and managing restructuring together with improved matching of skills with labor market needs, and refocusing support programs on the most vulnerable.

The actions are closely interlinked. Activation schemes must be coupled with measures to facilitate the adaptation of enterprises and employees to the new economic circumstances. Anticipating layoffs and delivering measures for those at risk of dismissal should be the core of preventive action. In parallel, companies should be offered supportive measures to overcome temporary difficulties and retain employees. Flexible working arrangements to adapt production to current market demand can be beneficial if coupled with strong activation measures and strengthened social protection to prevent the deterioration of skills and social unrest. Flexicurity policies can counteract the deteriorating situation at the margins of the labor markets and thus offset further segmentation of labor markets in the long run.





...overall pensioners have so far fared better than expected given the normal indexing mechanisms in relation to the economic situation.

OLDER WORKERS: THEIR LONG-TERM RETIREMENT AND FINANCIAL SECURITY

So far, the unemployment rate for people aged 50 and over has not been on the increase in the EU, and rather, it is the younger population that has been hit by the recent rise in unemployment. However, indications are that the economic slowdown is broad-based across sectors and countries, and this may eventually also affect older workers. Furthermore, as unemployment is expected to increase, the duration of unemployment spells needs to be closely monitored. Long-term unemployment is of particular concern for older workers, who find it very difficult to rejoin the labor market once they lose their job.

Looking to older people's retirement and financial security, in general pension income of people retiring today in Europe is still

mostly provided by statutory state pensions funded on a pay-as-you-go (PAYG) basis. PAYG pensions are (largely) paid from current contributions of workers and so are not affected by investment performance, unlike funded pension schemes.

For those who have funded pension provision, this is typically from Defined Benefit occupational pension schemes where the investment risk is taken by the scheme, not the individual scheme member. However, the majority of such funds are in deficit, so an adjustment might be needed. In the shorter term, this action often involves some impacts on pensioners and future pensioners now, as indexation of benefits are reduced and/or as contributions are increased (e.g. as in the Netherlands). In some EU countries, employers will need to increase their contributions which could lead to them negotiating reduced benefits or higher contributions with their employees on an ad hoc basis (e.g. the UK). In the long term, solutions might involve an increase in pension age, while at the same time, a long-standing trend of closing defined benefit schemes is visible in Europe.

In Defined Contribution (DC) funded pensions, the investment risk is taken by the individual: this type of funded provision explains the growth of private funded provision in the EU. DC funds in Europe are typically well diversified and some of them apply so-called life-styling (an investment approach where the investment risk is gradually reduced as the person nears retirement), which helps to mitigate investment risk to some extent.

Focusing on recent developments, in a context of rapid growth and sudden price rises for food

and energy early in 2008, many countries in Europe introduced extra ad hoc increases of minimum income provision and minimum pensions or opted to offer an extra annual payment of pensions. This has meant that overall pensioners have so far fared better than expected given the normal indexing mechanisms in relation to the economic situation.

STRATEGIES TO ADDRESS LONG-TERM CHALLENGES

The need to respond urgently to the current crisis cannot overshadow the need to prepare for long-term challenges of an aging population, climate change or globalization, while pursuing the structural reforms that will underpin economic recovery when it occurs. Short term measures must therefore be seen in this context and remain coherent with the EU strategic objectives. The main measures to be pursued are:

- > Increasing investment in R&D innovation and education;
- > Promoting “flexicurity” policies¹ as a way of protecting and equipping people rather than specific jobs;
- > Freeing up businesses, especially SMEs, to build markets at home and internationally;
- > Enhancing competitiveness by continuing to green our economy as a way of creating new jobs and technologies, overcoming our energy security constraints and achieving our environmental goals.
- > Speed up the shift towards a low carbon economy.

All EU countries will need to take action to deal with the crisis. Properly coordinated,

national efforts can target different goals in parallel. They can cushion the blow of recession in the short term. But they can also promote the structural reforms needed to help the EU emerge stronger from the crisis, without undermining longer term fiscal sustainability. For this reason, the Recovery Plan puts particular emphasis on innovation and “greening” of EU investment.

Experience shows that once older people leave the labor market they almost invariably do not return, so particular efforts are required to sustain their employment during the current economic downturn. In this context, the crisis underscores the fact that older workers must be an essential policy priority for the EU, as well as for the United States: they are the key to a successful and sustainable response, both to the recovery and to the long-term challenge of aging, which hasn’t disappeared because of the crisis and will only become more important in the years ahead. **A**

Footnote

- ¹ “Flexicurity” is a policy adopted by the European Union, which aims to conciliate both employers’ and workers’ needs, flexibility and security, by ensuring the worker safely transitions inside the labor market, while maintaining and improving competitiveness of the companies. It is also preserving the European social model. For more information, visit: <http://ec.europa.eu/social/main.jsp?catId=81&langId=en>

Xavier Prats Monné



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By Andrew Mason

Regional Roundup: Perspective from Asia

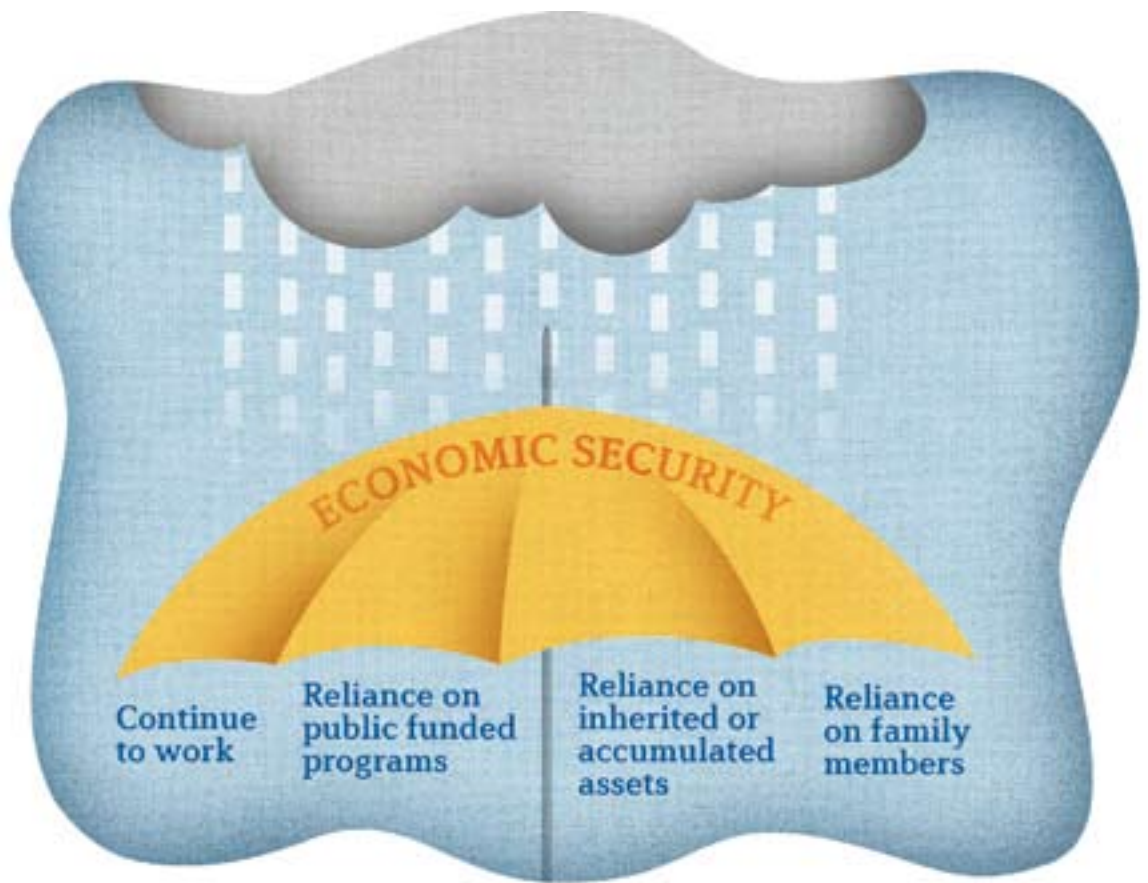
ECONOMIC CRISIS AND PROSPECTS FOR ELDERLY IN ASIA: SHARING THE PAIN

US Secretary of State Hillary Clinton's first trip abroad was to Asia, underscoring the growing importance of the region to the United States. Asia is home to more than half of the world's people with more than one billion living in China and India. Measured in terms of purchasing power, China, Japan, and India are the three largest economies in the World after the United States. Japan and China are important trading and financial partners for the United States and each holds more than one trillion dollars in US government securities.

Asian countries have reaped enormous benefits from their thorough integration into the global economy, but as a consequence,

they now are sharing the pain of the world's economic crisis. Economic growth has slowed dramatically in China and India. The recession in Japan, Korea, Taiwan and elsewhere is severe. Unemployment is rising and home prices and stock markets have declined sharply throughout the region.

How the economic crisis will affect older citizens is no less important in Asia than in the United States. Japan merits particular attention because its population is the oldest in the world. Over 20 percent of Japan's population is 65 or older as compared with about 12 percent in the United States. Other Asian countries are younger, but some, including China, Korea, Thailand, and Singapore, are aging very



rapidly. Establishing and maintaining a robust and sustainable system of support for the aging population is an urgent issue in Asia.

In good times or bad, older persons in any country can look to four channels for their economic security. First, they can continue to work, although often in a relatively low-paying job. Second, they can rely on public programs funded by taxpayers that provide pensions, health care, and other needed services. Third, they can rely on assets that they have inherited or accumulated during their working years. And, fourth, seniors may

rely on family members including adult children with whom they often co-reside. The strength of this four-channel support system will determine how successfully the older population weathers the current economic turmoil.

EMPLOYMENT INCOME IS IMPORTANT

As compared with many European countries, continued employment is an important resource for older persons in both Japan and the United States. Japanese, 65 and older, fund about 12 percent of their consumption

FIGURE 1 LABOR INCOME AS A PERCENTAGE OF PUBLIC AND PRIVATE CONSUMPTION, INDIVIDUALS 65 AND OLDER, SELECTED COUNTRIES



SOURCE: Sang-Hyop Lee and Naohiro Ogawa 2009 "Labor Income over the Life Cycle: Evidence from Twenty-Three Countries," National Transfer Accounts Working Paper.

through working. For American seniors labor income was 15 percent of consumption in 2003. In contrast, German seniors are quite unlikely to work. Their labor income amounted to only 3 percent of their consumption. Continued employment is especially important in Asia's developing countries. In China and the Philippines, for example, labor income of those 65 and older exceeds one-third of their consumption. In India, Korea, and Indonesia, labor income of those 65 and older exceeds twenty percent of their consumption (Figure 1).

How the economic crisis will affect the employment and earnings of older workers is still unfolding. Many of region's older adults are self-employed, working in agriculture and the service sector. In part, this reflects mandatory retirement policies for employees of government and larger firms. As labor markets contract, older workers are less likely

to be protected by unemployment insurance or the security of working for a large, established firm. Government employment may prove to be relatively secure, but working for a large industrial firm may offer less security than in the past. Major firms have already announced cuts to their workforces. All things considered, the employment and earnings of older workers may be particularly vulnerable to the economic downturn.

PUBLIC SECTOR SUPPORT VARIES WIDELY

The importance of public systems in providing old-age support varies considerably within Asia. The older population of Japan is supported by public programs that rival those found in the social welfare states of Northern Europe. Japan has national health insurance, public pensions, and has recently introduced a long-term care program that funds the cost of in-home services for seniors in need. Health care spending,

broadly defined to include long-term care, makes up almost 20 percent of consumption by 65 year-olds and 45 percent of consumption by 80 year-olds. Public funding is particularly important for the oldest old in Japan.

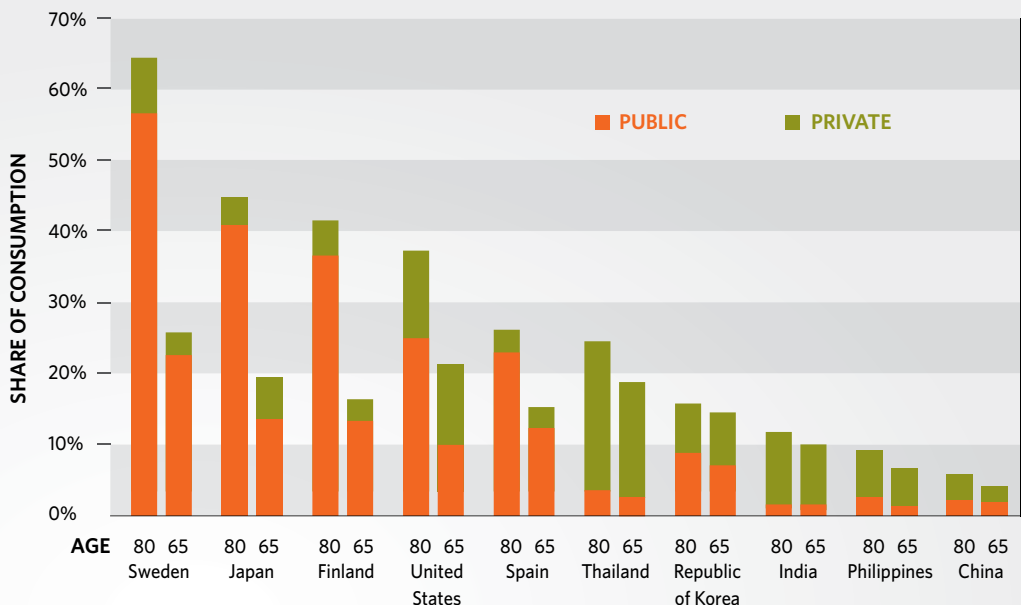
South Korea and Taiwan have recently established large, pay-as-you-go pension programs that are beginning to mature and pay benefits, but China, India, Thailand, and other Asian countries have taken a cautious approach towards taxpayer-funded pensions. In these countries, taxpayer-funded pensions will not provide a cushion of support for seniors.

Public funding of health care is the norm in Asia, but the level of publicly funded services is often limited. In many countries, private

spending on health care is substantially greater than public spending. Moreover, health care claims a much smaller share of total public and private consumption by older adults. Consumption of health care is much less important for the typical 65-year-old, and health spending does not rise as sharply with age in developing Asian countries as in the United States, Japan, and European countries (Figure 2).

As tax revenues decline or grow more slowly, Asian governments will face difficult choices about what to cut and what to maintain. Some governments have announced major stimulus packages. China is notable for the size of its stimulus package and the emphasis on health

FIGURE 2 PUBLIC AND PRIVATE HEALTH CARE SPENDING AS A PERCENTAGE OF TOTAL PUBLIC AND PRIVATE CONSUMPTION FOR PERSONS 80 AND 65 YEARS OF AGE, SELECTED COUNTRIES



NOTES: Public health care includes long-term care and other social services in Sweden, Japan, Finland, and the United States.

SOURCE: www.ntaccounts.org.

care and public pensions. This is an important initiative given the low level of health care spending and the absence of pensions for most rural Chinese. Whether this initiative will be successful is unclear.

DECLINE IN ASSET VALUES TAKES A TOLL

Asset ownership is the third element in the economic support system for Asia's older population. Many older Asians own their homes and have accumulated significant financial assets. Saving rates, especially in East Asia, have been very high historically. Indeed, the limited role of public support programs for seniors may have been one of the important reasons why Asians have had high saving rates. Many Asian countries have recently established their own stock exchanges and more Asians were beginning to invest in stocks. Housing prices in major cities, e.g., Shanghai and Seoul, and the value

of share traded on the stock exchanges of Korea, China, India, and elsewhere soared, but the prices of homes and stocks have now collapsed throughout the region.

Asia will be spared from some of the pain being experienced in the United States because of their different approach to housing finance. Asians are much more likely to save up for a home, or depend on help from their family, and much less likely to rely on mortgages to finance the purchase of a home. As a consequence, Asia is neither experiencing a sub-prime mortgage crisis, nor are foreclosures likely to become a problem. Of course, many financial institutions in Asia have invested in mortgage backed securities originated in the United States and investors in those financial institutions will suffer. So while many older adults in Asia are feeling the pain of declining home prices and shrinking financial wealth, losing a home is unlikely to be as great a danger as in the United States.



Many older Asians live with their adult children and are economically interdependent.

THE FAMILY: ASIA'S LATENT ASSET

The family is an important source of economic support for the older population in Asia, much more so than in the United States, Europe, or Latin America. Many older Asians live with their adult children and are economically interdependent. The direction of economic flows within families depends on the circumstances of each generation. Seniors in China, for example, were unable to accumulate assets during their working years because ownership of private property was forbidden. Thus, they rely heavily on familial transfers to fill the gap between their needs and the resources available from work. Almost half of the gap for Chinese, 65 and older, is filled by familial transfers. In many other Asian countries, familial transfers are important but not as important as in China. The importance of family support appears to be declining in Asia, particularly in Japan and other parts of East Asia. In 1984, older Japanese depended almost as much on familial transfers as they did on public transfers, but by 2004 Japanese under the age of 77 were giving more to their children than they were receiving. Those in their 80s receive some support from their children, but they rely primarily on public transfer programs.

A key role of the family during the financial crisis will be to share economic risks. In some families, older Asians will depend heavily on younger generations. In other families, younger generations will be depending on their elders. The economic difficulties are unavoidable, but the prospects for spreading the pain across all generations are good. **A**

Note

The information presented in this article is based on an international study of the generational economy based at the East-West Center in Honolulu and the Center for the Economics and Demography of Aging at University of California at Berkeley co-directed by Ronald Lee and Andrew Mason. The project is supported in part by two grants from the National Institutes of Health, NIA R01-AG025488 and NIA R37-AG025247 and a grant to Nihon University Population Research Institute from the MEXT Academic Frontier Project for Private Universities. This paper draws particularly on two working papers from the project: Ling Li, Qiulin Chen, and Yu Jiang 2009 "Lifecycle Deficits, Transfers, and China's Great Transformation" National Transfer Accounts Working Paper. and Naohiro Ogawa, Rikiya Matsukura, and Amonthep Chawla 2009 "The Elderly as Latent Assets in Japan." National Transfer Accounts Working Paper. More detailed information is available at the website www.ntaccounts.org.

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ECONOMIC SECURITY & WORK



By Juan Somavia
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International Labour
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OLDER WORKERS AND THE CRISIS: TOWARDS AN INTEGRATED AND DECENT WORK PERSPECTIVE

The global financial crisis is quickly affecting the real economy in many parts of the world and provoking a global economic downturn that is unprecedented in the recent post World War II era. The implications for jobs, incomes and livelihoods of women and men, families and communities are unfolding day by day. Our most conservative estimates show that some 22 million people across the world will become unemployed.

These numbers could well double if economic conditions deteriorate further. Many more under-employed, or those working in conditions of informality and precariousness, see their ranks swollen and their income earning opportunities diminished. The economic recession is paralleled by a deepening jobs and social crisis that is seriously threatening social stability and recent gains in poverty reduction.

In this global job crisis, older workers, together with young people, migrants and low skilled workers, are likely to bear the brunt of job losses. Demographic trends tell us that, by 2050, two billion people will be aged 60 years or over and 80 percent of them will be living in developing countries. With populations aging, the working population will shrink while the labor force itself grows older. Worldwide, the labor force, aged 60-64, will increase by 55 million between now and 2020; over 45 million will be in developing countries. Older workers and their respective conditions in labor markets, represent a diverse panorama of realities across the globe. With a wide range of patterns in retirement age and access to health care, pension schemes and social benefits in different countries, the reality of the crisis is hitting, with varying intensity, specific groups amongst older workers and across countries and economic sectors.

Many aged 50 and above who were fully active in the labor markets prior to this crisis, are particularly vulnerable to job losses in the process of restructuring, and may face discriminatory measures in accessing new and scarce employment opportunities. Those already retired, or who were preparing for a dignified retirement with a decent pension income, face the prospect of declining income.

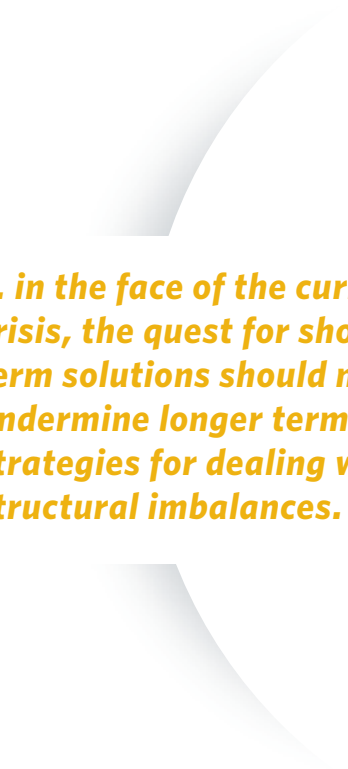
Falling stock markets have severely impacted private pension plans, which lost around 20 percent of their value in one year. Finally, millions of older workers in developing countries, who did not have access to, or had insufficient coverage by formal social security systems, continue to work in uncertain conditions of informality and vulnerability. As the global slowdown spreads to developing countries, including those which had experienced high growth, traditional safety nets are inadequate and economic opportunities are shrinking.

Moreover, beyond this crisis there was a pre-existing socio-economic crisis with widespread poverty, under employment, growth in inequality and difficult social conditions for many. The ILO had long cautioned that the global economy was on an unsustainable course, lacking the direction to make markets and globalization work for all.

Our world today must simultaneously confront a major structural shift, as population aging brings about a new demographic context where older groups increasingly represent a larger share of the population, including the labor force. This trend is already well entrenched in industrialized countries and in some of the developing Asian countries. It will affect all regions within the forthcoming two decades, albeit at a different pace.

This new demographic reality is, indeed, a cause for celebrating one of humanity's greatest successes, the increase in the life expectancy of women and men. But as people live longer and healthier, we are challenged to rethink our vision of our societies, our work and life relationships, and social organization.

This new demographic transition has numerous implications for growth, employment, poverty



... in the face of the current crisis, the quest for short-term solutions should not undermine longer term strategies for dealing with structural imbalances.

and productivity. It is resulting in significant shortage of labor and skills, including in the present context of the crisis, and it is bringing to the fore the necessity of ensuring a wider coverage of social security benefits, access to health care, and ensuring the sustainability of social protection schemes.

Indeed, the employment and social protection implications of aging societies are on the agenda of the ILO's International Labour Conference to be held in Geneva in June 2009. The emerging global panorama reveals diverse situations within and across countries. This session of the International Labour Conference—a world assembly of governments, employers and workers—provides an opportunity to propose feasible and innovative solutions for promoting an integrated and

balanced vision of decent work in aging societies that can reconcile the need for recovery and growth with the principles of social justice, and the aspirations of individuals and families with the progress of societies and countries.

ILO findings show that in defining a new balance in the changing demographic context, there is a close link between realizing the goals of more and better jobs in the globalized economy with those of extending the outreach of social protection and ensuring the sustainability of our social security systems. They also underscore the need for a life cycle approach and an intergenerational perspective. We will not respond to the challenges posed by the aging population by focusing on old-age policies alone. Combating childhood poverty, promoting full and productive employment opportunities for young women and men, supporting women's entrepreneurship, a lifelong approach to skills development and learning and the wider access to basic social benefits for all age groups, are all elements of the same puzzle. Moreover, while solutions will need to be adapted to diverse local realities, they should be cast in a broad perspective as our global labor markets are already adjusting to these new realities through increasing labor mobility.

There are many challenges ahead but there is no inevitability—the future can be shaped with the right policies. As governments design and implement fiscal stimulus packages, and as enterprises restructure in the face of the current crisis, the quest for short-term solutions should not undermine longer term strategies for dealing with structural imbalances. There may be a tendency to focus on short-term measures, such as emphasis on early retirement packages for older workers that may jeopardize longer

term solutions or reverse gains in combating discrimination against older workers' access to new job opportunities, if they so desire and need. Training and retraining opportunities and support for self-employment, and access to health care should be made available. We have seen in previous crises that insufficient and/or inadequate labor market responses, once established, may persist after the economy has recovered. Older workers should benefit from stimulus packages and recovery programs and play an active role in reshaping our future.

Developing countries face additional binding constraints. Their fiscal and policy space for launching stimulus packages and counter-cyclical measures to combat the economic slowdown is restricted. At this time, international solidarity is critical to sustain and enhance support for development. Targeted programs combining employment and social protection need to be scaled up.¹ ILO findings show the high correlation of poverty and old age on the one hand, and old age and informality on the other. All efforts should converge to prevent backsliding on the gains that have been made. Social transfer programs that target the poorest often have a larger impact on stimulating consumer spending and increasing aggregate demand.

In the short-term, addressing this global downturn, and in the long run, adjusting to the new realities of our aging societies, compels us to find ways of enabling older people who so desire to contribute to the economic development and well-being of our societies. We must also enable our societies to benefit from their experience and wisdom without undermining their acquired rights to a dignified retirement, to health insurance and care, and to decent pension income and social

transfers at the time they most need them. Reconciling these goals often implies hard choices and context-specific solutions that are best reached through social dialogue.

The ILO's *Decent Work Agenda* with its four strategic objectives of *promoting fundamental principles and rights at work, promoting employment and enterprise creation, extending social protection and reinforcing social dialogue*—provide a principled framework that can go a long way in helping to sustain such a balanced and integrated perspective for facing the crisis, redressing the structural imbalances in the global economy, and taking up the new challenges of demographic transition. The new and harsh realities of the world of work show that the approach of the *Decent Work Agenda* based on these four strategic objectives that are “inseparable, interrelated and mutually supportive”—as affirmed by the ILO Declaration on Social Justice for a Fair Globalization, adopted in June 2008—is needed now more than ever. **A**

Footnotes

1 ILO, *Global Economic Trends*, March 2009.

Juan Somavia



Juan Somavia, a Chilean national, has been Director-General of the International Labour Organization since March 1999. He is the first representative of the southern hemisphere to hold this position.



*By George Gaberlavage
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FINANCIAL LITERACY: MORE IMPORTANT THAN EVER

In the wake of a \$7 trillion decline in the value of pensions and household portfolios¹, is a discussion about financial literacy relevant? Absolutely! Workers—especially those nearing retirement—and retirees are likely to face a number of challenging questions due to the effects of the financial crisis. These include:

- > Do I need to work longer or go back to work?
- > Should I modify my asset allocations and retirement account portfolios?
- > Should I refinance my mortgage, carry it into retirement or pay it off?
- > Do I need to purchase an annuity or a reverse mortgage to assure that I don't outlive my assets?

For a person without financial knowledge, these questions are much more difficult to answer. As a result, they are more likely to make a costly mistake or just do nothing.

Strengthening financial literacy must be a part of international efforts to spur economic recovery.

WHY FINANCIAL LITERACY IS IMPORTANT

Financial literacy is increasingly important as reliance on defined contribution plans shifts responsibility for retirement security from employers to individuals. In today's highly complex financial marketplace, workers and retirees must be knowledgeable to make

informed choices. This is critical not only to the financial well-being of individuals, but to the proper functioning of financial markets.

The consequences of not being financially literate are very severe from both an individual and a societal standpoint. The meltdown of the mortgage market is a dramatic example. During the housing bubble, many borrowers were persuaded to take risks that endangered their financial health. These individual problems quickly became systemic ones as unsustainable mortgages were bundled into securities sold across the globe. High foreclosure rates among older homeowners as well as instability in the banking system are the consequences of ignoring what we have known for a long time: many borrowers, especially low-income borrowers with adjustable rate mortgages, do not understand the terms of their mortgages and underestimate the impact of changes in their interest rates.² But changes to disclosures and the mortgage sales process that would take this reality into account have not been made.

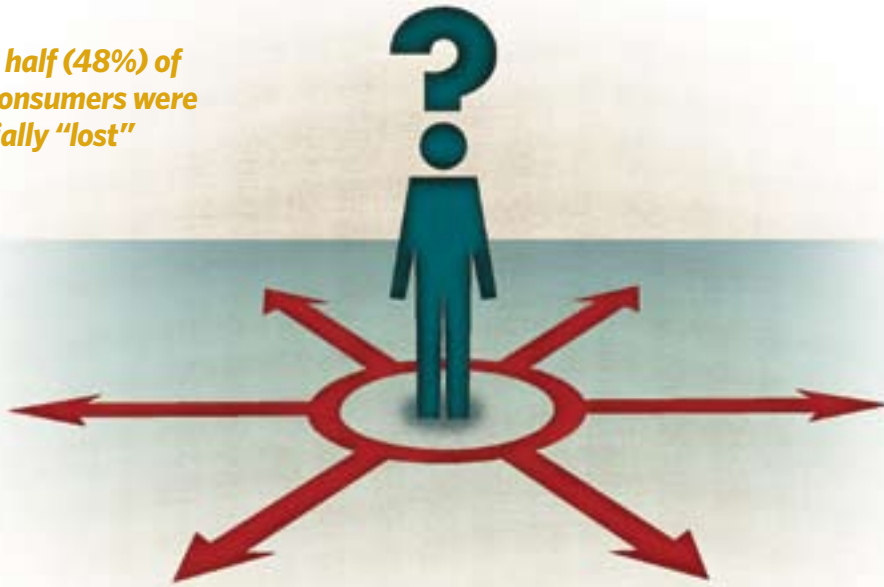
Similarly, research shows that there is a strong link between financial literacy and retirement planning. People who are more financially literate—especially those who understand key concepts like interest compounding—are more likely to plan for retirement. And planning is a powerful predictor of wealth accumulation.³ Yet half of workers have not attempted to determine how much savings they will need for retirement.⁴ According to the Center for Retirement Research at Boston College, almost 45 percent of working age households (ages 36 to 62) are at risk of being unable to maintain their pre-retirement standard of living in retirement unless they increase their pre-retirement savings. This situation puts even greater pressure on

national retirement systems that are already facing solvency problems.

Financial literacy is not a substitute for vigorous oversight of risk practices by financial institutions and enforcement of strong consumer protection policies that root out predatory financial practices. The regulation of mortgage transactions in the United States is notoriously weak. But even with strong regulations and enforcement, it will be difficult to monitor every transaction. Financially literate consumers who understand their rights are critical to the success of a reformed mortgage process—one that provides meaningful and timely disclosures to consumers and eliminates perverse incentives for providers to push the riskiest products on the most vulnerable borrowers. The same is true for other financial products.

Some advocates and researchers question an emphasis on financial literacy because financial education programs have varied in effectiveness. They would concentrate on building automatic defaults into key financial decisions to overcome consumer illiteracy and inertia. AARP has long supported auto-enrollment into retirement plans as a way of boosting participation and strongly supports an auto IRA proposal to tap the power of regular, automatic payroll deduction for that half of the American workforce without an opportunity to save at work. In fact, the two approaches complement each other. For example, increasing financial literacy has been shown to reduce quit rates in automatic enrollment plans.⁵ The sheer number and variety of consumer decisions makes it difficult to put defaults everywhere, and we know that people with less financial knowledge are more likely to make adverse and costly

Nearly half (48%) of older consumers were financially “lost”



decisions. This increases the importance of raising levels of financial literacy.

THE LEVEL OF FINANCIAL LITERACY IS SHOCKINGLY LOW

The Organization for Economic Cooperation and Development (OECD) reviewed survey results on financial literacy from 12 nations and found that they indicate the level of financial literacy of most consumers is “very low”. The lack of financial literacy was particularly apparent among minorities and those with less education and lower incomes.⁶

Financial illiteracy among older consumers is a major concern. In the United States, AARP’s Public Policy Institute (PPI) found that older consumers were less knowledgeable than their younger counterparts, especially regarding savings and investments. Looking at a number of key financial behaviors and money management skills, PPI also found that nearly half (48 percent) of older consumers were “lost”—that is they ranked low on financial product ownership as well as

financial behaviors—compared to 38 percent of all consumers.⁷ Research using the *Health and Retirement Study* demonstrates similar literacy deficits and indicates that many workers do not know what type of pension they have and are not aware of expected Social Security benefits.⁸


Workers are often dangerously overconfident about their readiness for retirement. A 2008 survey by the Employee Benefit Research Institute found that 33 percent of workers who have not saved for retirement still feel very or somewhat confident that they will have a comfortable retirement. The OECD reported similar findings.

BOOSTING FINANCIAL LITERACY

Fortunately, we are learning a lot about what works in boosting financial literacy and achieving needed behavioral changes. The OECD just released a compendium of policies and best practices for promoting consumer education. For example, a number of countries including Belgium, Chile, the Czech

Republic, Denmark, France, Ireland, Japan, Korea, Mexico, New Zealand, the Slovak Republic, Spain, Sweden, Switzerland, Turkey and the United Kingdom have developed education programs focused on reducing the vulnerability of older consumers to fraud. In addition, Korea has developed a “competence index” to measure consumer knowledge, track changes in behavior, and determine the effectiveness of consumer education efforts.⁹ Research shows that tying financial literacy efforts to key events and decisions such as starting a new job, purchasing or refinancing a home, and delivering public benefits is effective. The positive impact of workplace programs on increasing the savings of workers with lower incomes is particularly important.

But access to such programs is limited. In the United States, a recent forum on financial literacy sponsored by the Government Accountability Office recommended making financial literacy a national priority, fostering public private partnerships to increase availability of literacy programs, and delivering financial education on a broad range of topics at “teachable moments” when the information is most relevant to a person’s life. Targeting literacy efforts to certain populations—the unbanked, those with lower incomes, women and minorities—is also essential for an enhanced national effort to increase financial literacy. Further, integrating key financial principles, such as interest compounding and risk diversification, into school curriculums would help many people save and avoid excessive debt.¹⁰

Financial literacy is more important than ever. Along with regulatory reform and sound monetary and fiscal policies, it is an essential element in constructing a solid foundation for future economic growth and prosperity. 

Footnotes

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- 2 *Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education*, Business Economics, A. Lusardi and O.S. Mitchell, January 2007.
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George Gaberlavage

George Gaberlavage is the Director of the Consumer and State Affairs Team in AARP’s Public Policy Institute. This team focuses on marketplace practices affecting the ability of older persons to obtain essential products and services.

A high-contrast, black and white close-up portrait of a middle-aged man with a serious expression. He has short, slightly graying hair and deep-set eyes. The lighting is dramatic, with strong shadows on the right side of his face. He is wearing a dark suit jacket over a light-colored shirt.

By Laurie South
Chief Executive
PRIME

A solid yellow square located to the left of the main title text.

PRIME: THE PRINCE'S INITIATIVE FOR MATURE
ENTERPRISE IN THE UNITED KINGDOM

We are living in an aging society. But an aging society does not just mean more people aged over eighty. Just which part of

- > more people over 50
- > age discrimination in the labor market
- > growing unemployment of the 50+
- > needing to finance a longer life and
- > fewer young people

do people not understand about an aging society?

So why are we still living in a totally youth-centric society which is prepared to throw away the skills, experience and talents of our workforce at the age of 50? Why do we seem willing to accept that hundreds of thousands of people should live the last third of their lives in relative poverty and lack of fulfilment?

In founding PRIME in the United Kingdom eight years ago, these were the issues which His Royal Highness The Prince of Wales sought to resolve. He became and remains President of PRIME, a charity which seeks to help people aged over 50 to find the opportunity for financial, social and personal fulfilment through sustainable self-employment, business or social enterprise.

WHY IS PRIME SO NECESSARY?

In harsh statistical terms, nearly one person in three in the United Kingdom between the ages of 50 and 65 is unemployed, and this percentage is growing in the current recession. If you are made redundant at the age of 45 and do not get a job immediately, your chances of ever being an employee again are one in ten. Nearly 60 percent of this age group have no occupational pension scheme for their retirement. The costs of keeping more and more over-50s on welfare, paid by fewer and fewer younger people who still are in work, is increasingly unsustainable.

Yes, we can retrain the 50+ population to try and find a job in the labor market which spat them out, but we can also help people consider enterprise and how they might earn a living, help regenerate their communities and create new jobs by starting their own businesses. As we come out of recession, we are going to need these new businesses and, with a lack of younger people (who do not traditionally start businesses anyway), we are going to need our “olderpreneurs” like never before.

Nearly one person in three in the UK between the ages of 50 and 65 is unemployed



SO WHO DOES PRIME HELP?

First, it is important to understand that our target market is not those who have come out of industry with entrepreneurial experience and understanding after a senior management position in which they gained business knowledge, skills, capital and networks.

Our target is the hundreds of thousands of people who at 50+ have suddenly lost their jobs or are likely to be made redundant, do not have enough money for a satisfactory lifestyle, are going to find getting a new job very difficult, but who have never really considered self-employment. Eighty percent of our clients are already out of work, nearly 60 percent have no occupational pension, and nearly half live in rented accommodations. At least one third of the men we help have dependent children.

Some may have day-dreamed about starting a business, but generally these are the people who really do not know how to go about entrepreneurship and who find, after the relative security of “employment”, starting their own business is a big cultural, social and economic leap into the unknown.

SO WHAT DOES PRIME DO?

First, we need to make our clients aware that self-employment is a possibility. We work with Jobcentre Plus, the UK’s government agency for the unemployed, and we make sure people can find us easily though the Internet. We run local events and workshops and make as many waves through the local media as we can. Our initial task is to get people thinking about self-employment as a possibility by understanding the enterprise journey and becoming aware of what help is available.

We are now beginning to expand our mentoring program. After all, for a typical PRIME client, the journey from “employment” to self-employment is scary and lonely. Having someone there just for you to help you think it through and not get side-tracked by worries about things that you have been led to believe are complex and difficult, is very important.

Many of PRIME’s clients come to the conclusion that they could start a business but find it difficult to conceive of a business plan. Personally, I am always amazed and impressed by what people have done in their 50 years of graduating in the University of Life, but people so rarely see the unique skills, experience and knowledge that they have as something that can be turned into an enterprise. They are also wary of concepts like marketing and selling that have been infused with an academic mystique.

In any business three things are necessary:

- 1) **passion for a product or service,**
- 2) **ability to make sure potential customers know about and buy that product or service and,**
- 3) **an ability to understand and control the finances.**

Most people can do one of these well, and we need to help our clients think about how they will cope with the other two.

By this stage our clients are ready to develop a business plan. Generally we refer people to organizations funded through the public purse to turn their dreams and aspirations into a road map for their enterprise.

Many PRIME clients do not have and cannot raise even a small amount of cash to start their

business because they lack credit-worthiness. PRIME is working with www.zopa.com to create a peer-to-peer lending micro-loan scheme for those who cannot borrow money from a bank.

PRIME recognized that olderpreneurs who had just started their business needed a peer group to relate to. Most business networks were intimidating because they were full of young people or people who had been developing their enterprise over a good number of years. PRIME has successfully experimented with an olderpreneurs' business network and is seeking the money to expand this concept.

PRIME also noted that olderpreneurs tended to run their businesses until they were in their seventies and then run them down or abandon them. We are developing the expertise to help olderpreneurs sell their businesses.

IS PRIME SUCCESSFUL?

In terms of individuals, through our staff of 16 and our many partnerships, we help about 3,500 people per year. After some twelve to eighteen months, 30 percent are still considering self-employment but something has blocked them—sickness, care responsibilities or job offers. Twenty-seven percent say “Thank you. I have explored self-employment and it is not for me.” But 43 percent go on to actually start a business. Clearly, entrepreneurship is not genetic and with help and support, more people than we imagined are able to start a successful and sustainable business. We are proud of this conversion rate, but we are ambitious to scale up our operation so that we help 10,000 people per year.

SO WHAT ARE THE PROSPECTS?

During the last six months we have embarked on a strategic partnership with Bank of America. They have helped us develop, grow, and get to the places we would have struggled to reach. Most of all, their belief in PRIME has given us the self-confidence to continue our work with renewed vigor in what are now even more difficult times for the over 50s in the labor market.

When I first became chief executive late in 2002, people questioned what I was doing. They simply did not get it. Now people are realizing that if not they themselves, then they have family, friends, colleagues and neighbors who have been ejected from the labor market with few prospects of returning. The vision that inspired His Royal Highness The Prince of Wales is burning brighter, and I can say with confidence that the one thing about working with the over 50s—everyone will get there—eventually. If you are doing well when you reach that point, think about how you can help your peers through PRIME. If you are doing badly, then hope your peers will, through PRIME, give you the help you need to find financial independence, self-fulfilment and satisfaction in the final third of your life. **A**

Laurie South



Laurie South was appointed chief executive of PRIME, the only national organization in the UK dedicated to helping the over-50s to start their own businesses or

enterprises, at the end of 2002. For more information, visit: www.primeinitiative.co.uk or www.primebusinessclub.com.



2008 AARP
INTERNATIONAL
Innovative Employer
Awards

Winning Strategies

BEST PRACTICES FROM FOUR RECIPIENTS OF THE 2008 AARP INTERNATIONAL INNOVATIVE EMPLOYER AWARDS

In October 2008, AARP announced the 10 winners of the first annual AARP International Innovative Employer Awards. This award program recognizes employers who have demonstrated innovative human resource practices to retain and attract older workers and address the changes brought by an aging workforce. In this edition of The Journal, four of the 2008 award recipients share their best practices and tips for encouraging or helping older workers to remain meaningfully employed.



SINGAPORE

Alexandra Hospital—Harnessing the Experience and Knowledge of a Mature Workforce

By Liak Teng Lit, Chief Executive Officer,
Alexandra Hospital

The greying population calls for a more proactive approach towards preparing our organization for a changing workforce. By 2030, one in four persons in Singapore will be over 65 years old. At Alexandra Hospital (AH), we see aging as an opportunity to be harnessed. The hospital values mature workers who are over 50 years as they have a great wealth of experience and knowledge. Many are also still in the pink of health. Moreover, they are generally gentler and more patient, and are able to relate better with our predominantly older patients.

FAIR EMPLOYMENT WITHOUT AGE DISCRIMINATION

We have adopted an effective merit-based recruitment and selection strategy. We hire our employees for their attitude and train for skill. Employees performing similar work would receive similar remuneration packages. Age is never an issue as long as staff are fit and competent. A case in point would be a 73-year-old grandfather who recently joined our hospital as an ambulance driver.

LIFELONG LEARNING

At AH, staff receive an average of 150 hours of training every year. Training programs include competency-based, On-The-Job Training (OJT), overseas as well as local external courses. Mature workers enjoy the same training opportunities as their younger counterparts.

ACTIVE AGING

As a hospital, we encourage employee participation in health-promoting activities. We even have special programs for our mature workers. Recently, the hospital launched the Health Advocacy Course to equip all hospital staff, including mature employees, with the knowledge and skills for healthy living. This training course enables participants to become AH health ambassadors to our patients and their families.

In 2007, the hospital launched a Workplace Health Promotion Programme known as Health for Older Persons @ Work (HOP@Work) targeted at mature workers. The HOP@Work program serves to empower mature workers with the right skills, knowledge and attitude to be responsible for their health and lifestyle practices. Besides health education, our mature workers receive individual health assessments and attend health intervention programs such as chronic disease management.

RE-ENGINEERING THE WORK ENVIRONMENT

To create more value-added work for our employees, we have redesigned job functions. We provide training to equip employees with the necessary skills to perform new tasks.

An example is the job redesign for Patient Care Associates (PCAs). Seventy-nine percent of our PCAs were jobless before joining us. They were either homemakers or retrenched workers. The job redesign of PCAs has given mature workers an opportunity to enhance their employability. We are pleased that 85 percent of our PCAs are currently enjoying a 20-30 percent salary increase over what they were drawing in their previous jobs.

RE-ENGINEERING WORKPLACE EQUIPMENT

To reduce physical strain on our mature workers, we have specially redesigned and re-engineered workplace equipment. For instance, a team of young and mature employees modified our mortuary transfer trolley and medical records office trolley to minimize physical exertion.

FLEXIBLE WORK ARRANGEMENTS

To adapt to changes in our modern work environment, AH offers various flexible work arrangements to retain talent and encourage work life balance. These include flexible work hours, compressed work weeks, permanent part-time arrangements and job sharing. For instance, staff can choose to work a shorter week and on a part-time basis. We also extend childcare subsidies to grandparents. All of these initiatives have led to a happier and more productive workforce.

CHALLENGES AHEAD

As the society we live in is aging, we need to adjust to an older workforce. At AH, we do not see this as a challenge but an opportunity. We will continue to modify our work environment and work practices to provide meaningful and dignified jobs for older people. 🇸🇬

Liak Teng Lit



Liak Teng Lit is Chief Executive Officer of Alexandra Hospital

Alexandra Hospital is a 400-bed general and acute care hospital in Singapore

offering patients the very best in personalized care and a tranquil environment to comfort and heal. The hospital's clinical services offer an array of specialist care and consultation. For more information, visit: www.alexhosp.com.sg



UNITED KINGDOM

BT—Fostering and Retaining our Intellectual Capital and Capability

By Dennis Gissing, Head of People Practice, BT plc

BT recognizes the high level of skill which its employees have acquired in a range of specialties: engineering, marketing and sales, customer service and many areas of business support. We believe that our HR policies should be focused not only in building and developing these skills but also fostering and retaining the vast amount of intellectual capital and sheer capability that we have within our workforce.

Changes in legislation in the United Kingdom in 2006 prompted us to rethink seriously some of our policies relating to age. The new laws require companies to move our fixed retirement age from 60 to 65, but we really began to question why have a retirement age at all. Forcing high performing people to leave the organization, experts in their field and those keen to continue working in an exciting and challenging industry didn't really make sense. A year before the required changes we, therefore, abandoned fixed retirement, allowing employees to work on, making their own choice, subject to their continued fitness and efficiency, of when they felt it was time to retire.

In the first year of the new policy, 80 percent of those reaching age 60 elected to continue working despite the fact that our pension scheme then allowed people to voluntarily retire with full pension. Today, we have over 2,000 workers over age 60. We have managed to retain their knowledge, skills and experience whilst saving on expensive recruitment and training costs.

In fact, our employee base in the UK is aging. Thirty-two percent of our employees are now over 50 compared with around 24 percent five years ago. Does this worry us?

This merely reflects trends in the UK generally. Over 20 million people are now over age 50 in the UK and this is set to rise to 27 million by 2010. The “baby boomer” generation has come of age and with declining birth rates, populations in the age 15 to 24 age bracket are reducing year on year.

People are living longer, they are fitter and healthier than generations that went before them and they are faced with different social challenges; children being born to older parents, costs of education and housing, together with the effects of the “credit-crunch” all coming into play.

There are two aspects that I think are important here. First is recognizing that equality is something that applies equally to age as it does to say, gender or race. If you offer people the same chance and opportunity, you are placing them on a ‘level playing field’. If we have seen a declining productivity in the older worker, it is generally because the same investment has not been made in them as in their younger counterparts. Receiving training, development or recognition is equally important to all, regardless of age. Do not fall into the trap of thinking that experienced workers do not need to refresh

their skills or be kept up to date with changing work methods or technology—they do.

Second, companies should counter this with a degree of realism. As we grow older we do experience changes, we are more likely to develop certain conditions or assume new responsibilities such as caring for partners, parents or friends. Employers should be mindful of these changes and think about how it can support people to balance these needs with their working lives.

We have in place a number of policies and practices to support workers, and not only the older worker, in managing such changes. For example, We have a “reasonable adjustment” process whereby employees who develop a disability can have an assessment of what their needs might be, related to working methods, accommodation, furniture or equipment, in order to work more effectively. There is also a “managing changing capability” procedure where these adjustments are not enough and employees are helped into other roles.

We have also looked at helping employees seek to prevent the onslaught of illness or incapacity. Most conditions acquired in later life have a strong correlation to lifestyle and this is recognized by our “WorkFit” program, developed by in-house health professionals in association with external experts. Through the program, we have educated and provided practical strategies to our employees to get more exercise, become better aware of the importance of diet and giving up smoking. Recent campaigns have also focused on mental health, cancer and diabetes.

We are a major advocate of flexible working, with around 75,000 of our employees working flexibly in some way, including 14,500 who work from home. This can be a great advantage for people who are disabled, are parents

or have caring responsibilities. For this reason, we extend a ‘right to request flexible working’ policy to all our workers, taking them far beyond their legal requirement in this area.

Flexible working is also an excellent means for the older worker, who is looking towards retirement, to put in place gradual changes to “wind-down.” We also recognize that there will be a time when people decide that it is right for them to retire, and very often the sudden transition into retirement is a shock. Through our “flexible retirement” options, employees can reduce their hours, “step-down” to a lower position in the company or take a short sabbatical.

Similarly, we are currently developing a pre-retirement seminar during which older workers are given lifestyle advice as well as

guidance on financial planning. I think this helps people plan for the future as well as enjoying working longer. **A**

Dennis Gissing



Dennis Gissing is Head of People Practice at BT plc.

BT is a leading supplier of communications, providing networked IT, telecommunications services

and higher-value broadband and Internet products and services worldwide to customers in 170 countries. BT employs 116,000 people in 61 countries, in a workforce which encompasses a range of skills and expertise. For more information, visit: www.btplc.com

HORSENS KOMMUNE | DENMARK

Horsens—Developing a Good Working Life Program

By Kaj Kjær Nielsen

The City of Horsens in Denmark has undertaken several initiatives within the school sector since 2001, through The Good Working Life program, to provide interesting challenges for our older teachers and implement strategies for retaining them.

At the beginning of the project, the average retirement age was approximately 60.5 years and 4.1 percent of teachers were over age 60. (Demographic projections indicated the number should be at least 6.6 percent).

Currently, the average retirement age has increased to approximately 62.0 and 8.1 percent of our teachers are over age 60.

In the 1990s there was a wide debate in Denmark about appropriate policies for seniors. Debate centered on what we call The Big Years (“boomers”)—people born between 1942 and 1946—who were approaching retirement age.

But in this context, senior policies quickly came to mean:

- > Retirement finances,
- > Senior talks (when do you want to retire),
- > Lighter work duties,
- > Other special advantages for older employees.

We soon learned that these kinds of initiatives actually function as “exclusion policies.” What we really were saying was that we no longer thought of this group as full members of the staff. We were just waiting for them to retire.

We decided to flip our thinking 180 degrees. Instead of “exclusion,” we started focusing on “attraction.” We named this policy The Good Working Life. Work should be fun, challenging, appreciated, and attractive. Retirement should never be at the forefront of the mind.

We conducted a survey among our teachers, which asked:

- > What makes your job attractive to you?
- > What causes stress in your daily work?
- > What can we do to make your working life more interesting and challenging?

The survey confirmed our assumptions: There are no significant differences between desires of younger and older teachers in terms of attractive workplaces; and special considerations/terms are not seen as very important.

The following ranked as the top valued job conditions:

1. Good colleagues and daily cooperation/interaction,
2. Continued development of professional and personal competencies,
3. A good physical and psychological work environment.

The survey also debunked the myths that older employees are feeble, slow thinking, and unable to learn new things. They may have slightly slower feet and stiffer joints, but in reality, our older employees have fewer sick days than their younger colleagues. Older teachers think at least as quickly as young teachers—and with more perspective. It is scientifically proven that the brain can continue to develop even at age 75-80 (if kept in shape and challenged). As one Danish professor has put it: Use It Or Lose It.

The famous concert pianist Arthur Rubinstein performed solo into his mid-80s. When asked how he could still play extremely fast passages at his age, he responded: “I play the preceding passage slightly more slowly, so that the audience perceives the faster passages as every bit as fast as I used to play them.” This demonstrates knowledge and perspective perfectly. These are the qualities that make our older employees more valuable than ever.

Using insights gained from the survey, we started or adjusted several initiatives to support our efforts to retain older teachers such as:


- > A seminar for older teachers that aims to provide inspiration, to match experience with academic theory, and to rekindle personal dedication. The seminar is held for 20 teachers annually over seven weeks.
- > A two-week course called “Behavior, Conflict, Welfare” instructs all teachers on how to deal with disruptive students, an area that is an increasing burden on all teachers.
- > A new concept for employee reviews that focuses on discussing development and future plans of a teacher instead of “When is it time to retire”.
- > Theme days for school administrators with a focus on creating excellent, well-rounded places to work.
- > A policy that sought to avoid “dual teacher’s lounges” (the young vs. the old). The goal is to foster a sense of a united faculty working towards creating the best possible school. The policy includes: mentor programs, participation in class scheduling, formation of autonomous teams across age barriers, welcoming new colleagues, project teams crossing age and disciplinary boundaries,

and “Green Socks” for new teachers (it is OK to make mistakes and to ask questions)

- Teachers over age 62 receive a bonus if they continue to teach at least until the end of that school year.

These initiatives provide a win-win situation, resulting in more exciting and well-rounded environments for teachers, benefiting students as well as the City of Horsens, and providing inspiration for the individual teacher. At the same time, we have solved a major workforce shortage.

We have created the following 10 tips around attracting and retaining older workers.

- 1. Make senior issues part of the overall personnel policy.** This sends the signal that the company is interested in all staff, making it easier for seniors to identify with the company.
- 2. Fight prejudice and age discrimination.** Seniors are not necessarily less productive; therefore, fight unfounded stereotypes about their capacities.
- 3. Plan work to match individual needs, wishes and abilities of each employee.** We don't get any less different with age. Take into consideration the different physical and mental capacities of senior employees.
- 4. Make room for changes in scope, intensity and substance of work.** This helps reinforce seniors' attachment to the company and reduces absenteeism.
- 5. Give all employees interesting and challenging work.** Repetitive work is often interpreted as a signal from the company that it is time to retire.
- 6. Take advantage of the potential that lies in younger and older employees working together.** It is often productive to draw upon senior employees' “unspoken” knowledge of how specific tasks are best approached in practice. And senior employees feel appreciated.
- 7. Let senior employees be responsible for training new, younger staff.** Mentor arrangements, whereby seniors pass along their skills and experience to new employees, help preserve the company's culture and know-how.
- 8. Start senior talks early.** Many begin thinking about retirement by age 45-50; therefore, start talks early about their future plans.
- 9. Demonstrate that you acknowledge and appreciate the efforts of seniors.** Praise and acknowledgement mean a lot when it comes to senior employees choosing to retire or stay a few extra years.
- 10. Create opportunities for a gradual transition from work to retirement.** This could be through a senior club, for instance, where employees can make arrangements for their last year of employment and seek help in planning a dignified transition to retirement. 

Kaj Kjær Nielsen



Kaj Kjær Nielsen is HR Director for the City of Horsens.

The municipality of Horsens has approx. 80,000 inhabitants. The City

employs approximately 950 teachers out of a total of approximately 6,500 employees. For more information, visit: www.horsenskom.dk



SingHealth—Growing A Multi-Generation Workforce

By Professor Tan Ser Kiat, Group Chief
Executive Officer, SingHealth

Our motto at SingHealth is to put “Patients at the heart of all we do.” Age is no barrier to providing quality care. Two percent of our staff are above the retirement age of 62; 20 percent are age 50+ and 42 percent are above the age of 40. Almost 80 percent of our retiring workforce continues to contribute, working seamlessly in a multi-generation workforce serving patient needs.

We believe that age brings experience, wisdom and expertise that are not easily replaceable in our knowledge-based, people-intensive industry. We have, therefore, proactively aligned our employment practices to tap the growing pool of mature workers in light of an aging workforce.

With talent development, education and training as integral facets of our culture, SingHealth is a forerunner in skill development programs and initiatives such as job re-design to empower mature workers to remain active contributors of the workforce.

PERSPECTIVES—INDIVIDUAL, ORGANIZATION, NATION

We have adopted three perspectives to engage and retain mature workers, seeking win-win solutions for the:

- > Individual
- > Organization
- > Nation

We believe that age brings experience, wisdom and expertise that are not easily replaceable in our knowledge-based, people-intensive industry.

For individuals, we believe that mature workers have the capacity to contribute, learn and grow. Upgrading skills helps keep them updated and relevant, providing flexibility to move laterally or vertically in their careers, taking on different roles according to their abilities, strengths and preferences. New roles may be less demanding, but retirees remain mentally active and financially independent. Through social interaction and networking at work, they also maintain self esteem and continue to “feel useful” while enjoying their silver years.

At the organizational level, there is a strong talent demand for skilled health care workers. Skills and experience gained through years of formal and on-the-job training cannot be imported and replaced. Perhaps more significantly, knowledge, clinical acumen and positive traits of dependability, patience and commitment to patient care take years to be

nurtured. Mature staff are, therefore, perceived to be better care providers by patients. Senior health care professionals also contribute to a system of “knowledge management”—serving as mentors, role models and trainers, transferring knowledge, skills, experience and wisdom to junior staff. By encouraging a multi-generation workforce, SingHealth creates an environment for active learning and ensure that the vast knowledge capital remains within the organization.

At the national level, Singapore is faced with a rapidly aging workforce. By 2015, workers aged 50 and above are projected to make up 29 percent of the workforce, and by 2030, 1 in 5 will be over age 65. Singapore will have insufficient young workers to replace retirees, making it imperative to develop human resource practices that can tap the pool of experienced, mature workers.

3-PRONG APPROACH

First, SingHealth introduced the Silver Connection Movement in September 2006 to engage our mature staff and enhance their employability.

Programs under Silver Connection are guided by the 4 ‘Rs’:

- > RENEW the mature workers’ commitment and re-ignite the passion for their work,
- > REFRESH their thinking about themselves and others, and help to build better work relationships and outcomes,
- > REWIRE their roles and contributions through new ways and new work,
- > Not Retire.

Silver Connection runs workshops on financial planning and personal effectiveness to better

prepare mature staff for retirement or career transition and facilitate employment opportunities. Retired nurses and health professionals have been employed on a part-time or project basis, in various positions like assistants for health research and surveys, patient relations ambassadors and feedback unit coordinators. Another initiative is the postnatal home care program, which supports new mothers as they adjust to demands of caring for a newborn. Silver Connection recruits midwives, including retiring and retired nurses from hospitals, into this program after they complete a two-week training course.

Second, we enable our mature workers through technology and systems engineering (redefining the “hardware”). With funding from the tripartite ADVANTAGE scheme, we mechanized and automated healthcare equipment to alleviate physical demands that may hinder mature staff, such as hoists to aid in lifting and transporting patients, and magnifiers for easier reading of medicine labels.

Workflow and systems engineering provided redesigned roles for our Health Care Attendants, Patient Care Assistants, Senior Enrolled Nurses and Retired Nurses. Nursing career tracks have also been redefined and enhanced with career growth opportunities. For example, the expansion of a scheme where outstanding Senior Enrolled Nurses can attend a professional development program to attain advanced nursing skills to broaden their job scope and play a more active role in patient care and management. They will be promoted to Principal Enrolled Nurses (PEN) and get the opportunity to progress into specialized career tracks. Flexible work arrangements like part-time/flexi-work, temporary/locum/projects, customized employment contracts, job sharing

and telecommuting provide various options for mature workers to continue to contribute.

Third, we empower our mature workers through training and mindset change (redefining the “software”). Workers approaching retirement age are counselled by HR staff who have been trained for pre-retirement and re-employment counselling. Career counselling for mature workers also explore options beyond retirement age including financial, health, social and work contribution.

SingHealth’s strategy is to leverage the experience of mature staff, help them age well with their colleagues and the organization, and motivate them to contribute to the organization beyond their retirement years.

Through these three practical approaches, SingHealth has laid a strong foundation to

grow a multi-generation workforce committed to delivering excellent care for patients. **A**

Prof. Tan Ser Kiat



Professor Tan Ser Kiat is Group Chief Executive Officer of SingHealth. Prof. Tan thanks Ms. Geraldine Lee, Group Human Resource Director, SingHealth

(2004-March 2009) for her contributions to this article.

Singapore Health Services (SingHealth) is the largest group of public healthcare institutions in Singapore with 15,000 employees and 3.5 million annual patient visits. For more information, visit: www.singhealth.com.sg

2009 AARP
INTERNATIONAL
Innovative Employer
Awards

RECOGNIZING EMPLOYERS *for their* COMMITMENT *to an* AGE-DIVERSE WORKFORCE

In September 2009, AARP will announce the winners of the 2009 AARP International Innovative Employer Awards. Currently in its second year, the AARP International Innovative Employer Awards program annually recognizes 10 non-US based companies who have demonstrated best policies for attracting and retaining older workers. Winning employers are able to demonstrate comprehensive human resource policies and practices that help create opportunities for older workers and promote age-friendly workplaces. Evaluation criteria examine policies in the following areas: flexible work arrangements; training, lifelong learning, and career development opportunities; workplace design; health promotion and protection; age diversity promotion; and recruitment.

Applications were submitted from employers representing a broad range of industries, countries, and regions. The range and diversity of applications demonstrates that even in troubled economic times, many model employers continue to recognize the vast human capital, skill, and knowledge that older workers bring to the workplace.

For more information, please visit: www.aarpinternational.org/employerawards



January 2009
Singapore

Executive Summary

REINVENTING RETIREMENT ASIA: EMPLOYMENT AND ACTIVE ENGAGEMENT BEYOND 50

World leaders must work to reevaluate the balance of risk in retirement savings systems, make saving for retirement easier and more transparent, and create greater opportunities for the extension of working lives. These three themes resonated at Reinventing Retirement Asia, as opinion leaders gathered to share best practices for addressing issues related to demographic change in the wake of the global financial downturn.

On January 8-9, 2009, AARP and Council for Third Age (C3A) gathered more than 400 opinion leaders from 16 countries for the Reinventing Retirement Asia conference in Singapore. Experts explored approaches to reengineering the workplace, re-careering older workers, recasting public perceptions of aging, and restructuring the regulatory environment for employment of older persons, pension plans and social insurance schemes.

Speaking at the conference, Prime Minister Lee Hsien Loong announced that Singapore will require employers to offer re-employment to workers at 62 for another three years until 65 (although not necessarily in the same job or at the same pay). The new law will be supported by other measures—including lowering the employer's payroll contributions by 50 percent to lighten the cost of employing

older workers and giving 50+ workers more of the Workfare Income Supplement (in effect a negative income tax). The Prime Minister also announced initiatives to encourage the employment of older women, whose labor participation rates are much lower than men's, despite the wide availability of jobs.

Promoting employment and engagement among older adults and developing new strategies to ensure adequate retirement income are critical strategies for the 21st century. The number of people worldwide age 60 and older is expected to triple by 2050, according to projections by the United Nations Population Division. This demographic shift will provide vast opportunities to capitalize on the talents and skills of older persons, but also create challenges in maintaining financial security for populations.

POPULATION PROFILE



Japan already has a top-heavy population structure and is concerned with providing income security for its older citizens. China's population structure resembles a cube, so the goal is to maximize the value of its large, but soon-to-be-shrinking, workforce. In India, which has a young population today, the current challenge is providing enough jobs and housing. Yet, all of these countries must prepare for a growing population of older people who will be experiencing increasing longevity.



Left: Minister Lim Boon Heng, Dr. William Hall (AARP Board), Prime Minister Lee Hsien Loong, and Gerard Ee (C3A Chairman) at Opening Plenary. Right: Prime Minister Lee addresses the conference.

While population aging is a nearly universal phenomenon, countries are at varying stages in the process. Japan already has a top-heavy population structure and is concerned with providing income security for its older citizens. China's population structure resembles a cube, so the goal is to maximize the value of its large, but soon-to-be-shrinking, workforce. In India, which has a young population today, the current challenge is providing enough jobs and housing. Yet, all of these countries must prepare for a growing population of older people who will be experiencing increasing longevity.

Adding to the complexity is the current global financial crisis, which disproportionately is impacting older adults. As Dr. William Hall, a member of the AARP Board of Directors, explained, competition for jobs and resources is intensifying at a time when many older adults have lost significant portions of their retirement assets.

If there is a silver lining, it's that the current situation is driving countries to rethink

outdated retirement systems, Dr. Hall noted in his opening remarks. Among highlighted best policies in this area is a feature of Singapore's mandatory savings scheme that provided stability to its population despite the downturn. The scheme requires contributions be invested chiefly in government-backed securities with guaranteed returns. In addition, the country has recently introduced the National Lifelong Income Scheme, which requires partial annuitization of pension schemes to ensure that people do not outlive their savings.

Singapore's Prime Minister Lee addressed the conference during the opening plenary, highlighting the need to embrace an aging population through adjustments in policy and the workplace environment, and a conscious change in social attitudes. C3A Chair Gerard Ee added that changing perceptions about retirement, employment and aging requires a sustained, concerted effort from all stakeholders. Government, business, labor, NGOs, the media and individuals all have a role to play.



Left: Panelists (from l-r) Greg Boyko, Chairman, Hartford Life Insurance K.K.; Vanessa Wang, Head of Retirement Business, Asia, Mercer; and Adele Hayutin, Director, Global Ageing Program, Stanford Center on Longevity discuss the four pillars of economic security. Right: Mr. Goh Eng Ghee, Singapore Workforce Development Agency, and Dr. Judy McGregor, New Zealand Human Rights Commission, speak at the lifelong learning panel.

Each country must come to its own solutions steeped in its culture, demographics and stage of development. However, even amidst this diversity, a number of common themes emerge:

- **The artificial silos of “work” and “retirement” must be broken down.** Many people will live an additional 30 years after they reach traditional retirement age. One emerging trend is the notion of an “encore career” that balances income with social impact. India’s Dignity Foundation, for example, has created an online portal to link older adults with paid work opportunities, as well as volunteer positions at NGOs. It also provides training in computer skills and interview etiquette. Similar initiatives are taking place in other countries.
- **Financial literacy and automatic pension features are becoming increasingly important as the responsibility for retirement planning shifts toward the individual.** Studies show that most working adults are unaware of the opportunities and risks involved in

investing and saving for their later years. Efforts like Singapore’s national MoneySENSE program, which emphasizes lifelong financial education through interactive tools, can empower individuals. However, sound financial education is not the panacea and should be combined with other measures to ensure adequate incomes in retirement. Examples include adequate disclosures, restrictions on pension withdrawals, and automatic mechanisms in defined-contribution plans.


- **Extending working lives will play an important role in strengthening older adults’ income security.** Providing opportunities for prolonged working lives can alleviate labor shortages, help stabilize finances of social insurance systems, and bolster personal retirement savings. In some countries, the solution may be to raise formal retirement or pension-eligibility ages. For others, it may be a matter of creating better economic incentives for both individuals and employers to save.

Singapore, for example, has a formal retirement age of 62, but employers are now required to offer re-employment for an additional three years. The country also recently introduced an earned-income credit that is weighted in favor of older workers.

- > **Human resources strategies like flexible work arrangements, career development and health promotion can help workers remain productive longer.** AARP recently recognized 10 companies internationally that have implemented age-friendly policies, including two Singaporean firms. For example, Singapore Health Services Pte. Ltd. employs a “Silver Connection Consultant” who offers guidance on career transitions and management of older workers.
- > **Lifelong learning and training are essential as work lives are extended.** Unfortunately, older workers have fewer opportunities for continuing education because of overt and subtle discrimination. The United Kingdom has explored portable lifelong learning schemes that are jointly funded by government, employers and employees. In the United Kingdom, older adults are turning increasingly to community colleges because of their affordability and flexible schedules.
- > **Workplace design can help create productive and comfortable work environments for older adults.** Some companies are investing in automation to alleviate job-related physical demands. Research also suggests that the right lighting, acoustics, ergonomics and individualized work

spaces can help maximize older workers’ productivity.

- > **Ageist attitudes are a barrier to continued work and engagement, and all stakeholders must confront them.** Governments and businesses can pass policies barring age discrimination and be proactive in ensuring training opportunities are evenly distributed. They can also join NGOs in public relations campaigns that show realistic and more positive images of older adults. The media has a responsibility, as well, not to further negative stereotypes.
- > **Policies aimed at helping older adults must be viewed through a broader lens.** For example, in countries with high unemployment, extending the retirement age could heighten intergenerational tensions. Finding the right balance may require difficult trade-offs. At the same time, opportunities exist for intergenerational cooperation in childcare, education, environmental protection, and community organization.

Asia is at the forefront of a worldwide demographic transition. The extent to which countries can tap into older adults’ potential as they age demographically will have a dramatic impact on their economic competitiveness and on the lifelong quality of life of their individual citizens. 

For more information about the conference, visit: www.aarpinternational.org/rrasia_singapore or contact Edward Johns, Associate Director, AARP Office of International Affairs at ejohns@aarp.org

From the AARP Public Policy Institute

SOCIAL SECURITY FINANCING: AUTOMATIC ADJUSTMENTS TO RESTORE SOLVENCY

Many countries are facing social security solvency problems as longevity increases and birth rates fall. This paper discusses the experience of 12 countries that have adopted auto-stabilization mechanisms to improve solvency.

http://www.aarp.org/research/economy/ssfinancing/2009_01_socsec.html

A NEW PERSPECTIVE ON "SAVING" FOR RETIREMENT

This paper examines the concepts of "saving" and "wealth", explains how the standard measure of saving provides little insight into household retirement wealth accumulation, and draws implications for understanding retirement preparation.

http://www.aarp.org/research/financial/retirementsaving/i22_saving.html

MAKING WORK MORE FLEXIBLE: OPPORTUNITIES AND EVIDENCE

This paper examines barriers to flexible work options, with a particular focus on older workers and phased retirement; considers the demand for workplace flexibility; highlights the various types of workplace flexibility; and discusses what workplace flexibility means to employers and employees.

http://www.aarp.org/research/work/issues/i11_work.html

THE IMPACT OF THE FINANCIAL CRISIS ON OLDER AMERICANS

The economic downturn and its impact on older Americans are examined in this report which concludes that the federal government must concentrate above all on reviving the economy and the flow of credit.

http://www.aarp.org/research/economy/trends/i19_crisis.html

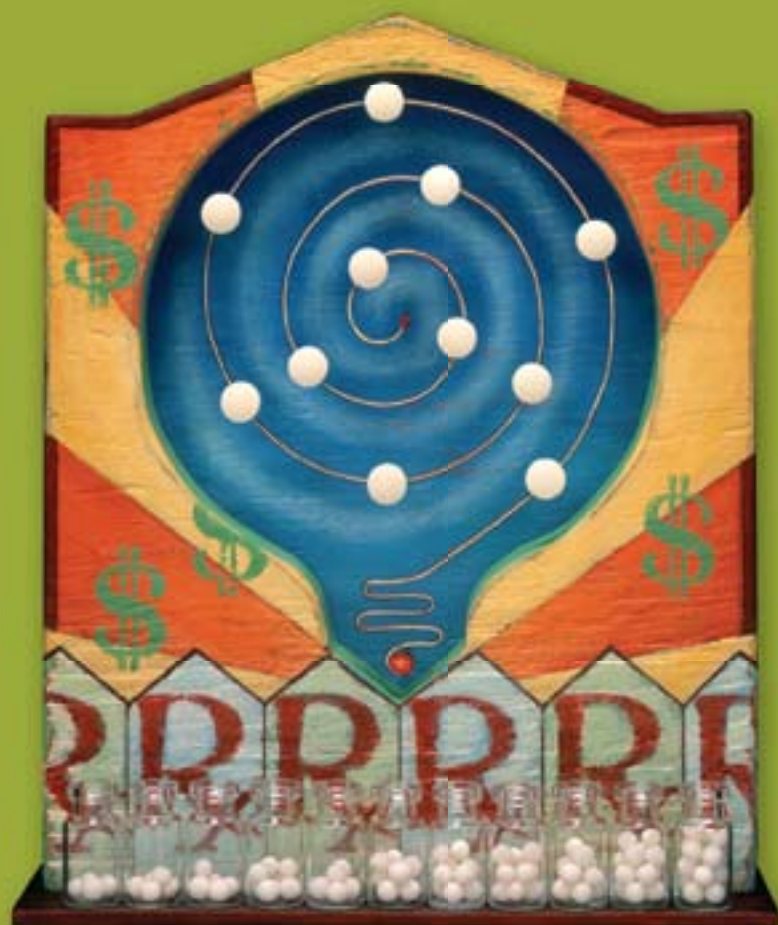
THE COVERAGE OF EMPLOYER-PROVIDED PENSIONS: PARTIAL AND UNCERTAIN

This paper explores participation in employer-provided pension plans and trends in pension coverage.

http://www.aarp.org/research/work/benefits/d19108_pensions.html

ONLINE

RESOURCES





HEALTH & RX AFFORDABILITY

By John Beard, MBBS, PhD
Director, Department of
Ageing and Life Course
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THE FINANCIAL CRISIS AND THE HEALTH OF OLDER PEOPLE

The current financial crisis has arisen in a world that has never before been so closely connected and interdependent. Globally, it seems likely that unemployment will rise, safety nets for social protection fail, and savings and pension funds erode. Spending on health may drop. Combined, these will place unprecedented pressure on people's health in both the developed and the developing world.



Economic hardship also increases the risk that people will neglect health care, with prevention, in particular, falling by the wayside.


The impact of the crisis may be particularly acute for older adults, who are more likely to be physically vulnerable, to already live in poverty, and to be dependent on income from investment. It is also likely that older adults will be at greater risk of losing their jobs and, having lost them, may be less likely to retrain and become re-employed. This runs counter to the attempts of many governments to encourage older adults to remain in the workforce beyond traditional retirement age.

In the United States, unemployment in people over 65 years of age is already at its highest level in over 30 years. This is occurring in an environment where fewer older Americans can afford to retire. Even before the financial crisis and its impact on retirement incomes, the proportion of adults between 65 to 69 years of age, who either work or are looking

for work in the United States had increased to almost 30 percent.

Previous economic downturns have had significant adverse health consequences. The Russian Federation in the early 1990s suffered a major increase in male mortality, and mortality increased in Thailand during the 1990's Asian economic crisis. Other adverse outcomes include depression and anxiety, and increases in the use of tobacco, alcohol, and other harmful substances. Economic hardship also increases the risk that people will neglect health care, with prevention, in particular, falling by the wayside.

In times of economic crisis, people tend to forego private care and make more use of overstretched and underfunded public services. Yet, in many low-income countries, most health spending takes the form of



Another risk of the financial crisis is that these broader goals will be jettisoned in favor of more immediate responses that simply patch up overstretched and dysfunctional systems.

private out-of-pocket payments, and there may be few or no alternatives. Families may need to weigh the need for urgent health care in an older adult against the need for adequate food or education for other family members. An acute health event in these circumstances may push families to their financial limits or may simply be left untreated.

The environments that set the scene for this social crisis are not recent, but their consequences become starker as countries and individuals are pushed to their financial limits. We know that there are enormous inequities in health, and that these reflect, above all, the presence or absence of a range of social factors. Equitable access to primary health care, retirement security, and social protection systems are all crucial to older people in both developed and developing nations. Beyond the

immediate consequences of financial distress, perhaps the greatest risk to older people from the current crisis is that it will set back efforts to expand these safety nets.

This has happened before. In the early 1980s the world faced a crisis from soaring oil prices and global debt. The international response was to shift budgets away from investments in the social sectors, most notably health and education. Many countries are still suffering the legacy of these errors. Yet other responses are possible. In the Asian economic crisis of the 1990s, South Korea extended unemployment insurance and has since further expanded this program.

At a recent high-level consultation on the financial situation and global health hosted by the World Health Organization in Geneva, Switzerland, a range of speakers called for governments to ensure funding in primary health services was maintained or strengthened, and for present levels of financing for international health development to be maintained. Whether this will occur when budgets are stretched and government incomes fall remains to be seen. Yet, even if traditional health care services are expanded, many will only address immediate needs. A more complete approach to primary care is needed, as proposed by the *World Health Report 2008*. Here, primary health care is seen as having four key components: universal access, people-centered health systems, policy that promotes and protects the health of communities, and more effective and accountable leadership. Another risk of the financial crisis is that these broader goals will be jettisoned in favor of more immediate responses that simply patch up overstretched and dysfunctional systems.

Yet this does not have to be the case. Governments around the globe have repeatedly expressed their desire that the massive investments they are currently making to address the acute crisis will also produce long-term benefits. Bank bailouts come with demands for greater accountability, capital investments look to build sustainable and needed infrastructure. Similarly, governments need to make sure that the long-term needs of older adults for prevention, financial security and social protection are not forgotten in this flurry of investments. The crisis presents the opportunity to make decisions on these issues that may be more difficult in easier times.

SO WHAT CAN BE DONE?

First, leaders must be prepared to speak out. The challenge now is to prevent the economic crisis from becoming a social and health crisis. Older adults in both developed and developing countries are particularly threatened, and their needs must be highlighted. Addressing them must be a key component of any government response.

Some countries are particularly at risk. Those receiving emergency assistance from the International Monetary Fund (currently Iceland, Hungary, Pakistan, and Ukraine) may face spending restrictions during loan repayment. Developing countries heavily dependent on donor funding may face a decline in aid receipts. Coming into this crisis, many of these countries were already facing challenges from increases in the cost of food and fuel, with an estimated 100 million people forced back into poverty. Donor nations need to continue and even increase their contributions to ensure the poorest of the poor do not experience even more dire

circumstances. In their own countries, governments need to invest in the social sector and in human capital, rather than tightening health and social budgets. Healthy human capital is the foundation of economic productivity and can accelerate economic recovery.

As global populations have aged, the potentially enormous productivity of older adults has been overlooked by outmoded concepts of retirement and aging. The crisis presents opportunities to explore new ways that older adults can contribute as productive members of society. In the past, wartime caused many countries to have women undertake roles that were previously only performed by men. This had a lasting impact on attitudes to the role of women in the workforce. Perhaps now we can similarly explore new models for how older adults can participate. One example would be changing policy to allow older people to work part-time, while they retain social pensions or diminished incomes from investments.

While short-term measures are needed, it is crucial that governments also take a longer-term perspective to ensure that the health sector can be more resilient in the future. The crisis is also an opportunity to tackle underlying structural problems in the health sector. A primary health care approach is the




most efficient, fair, and cost effective way to structure a health system. When countries at the same level of economic development are compared, those where health care is organized around the principles of primary health care produce a higher level of health for the same investment. This should be the basis for any reform, not just in developing countries but in high income countries such as the United States as well.

Social protection is required to safeguard incomes for older adults, stabilize prices, and help people maintain health insurance. Older people should not be excluded from temporary employment schemes which can be designed so that they, themselves, have social benefits, such as building primary health infrastructure. Retraining opportunities are also needed specifically for older people who have lost their jobs or need to return to the workforce.

Health spending needs to become more effective and efficient, and we should take the lead from previous economic crises that have been used to foster reform. In Thailand, from 1997-98, the outflow of physicians from government services to the private sector was reversed but has since been sustained. Price increases made it possible to introduce medicines based on generic substitution. Governments need to move to universal coverage and pooling of risks and resources.

Support for prevention needs to be sustained and, indeed, enhanced.

Finally, effective monitoring needs to be put into place as the basis for effective contingency planning and to determine the effectiveness of different interventions and to help ensure the current situation is not repeated.

The current financial crisis presents a dire threat to older people in both developed and developing nations. Yet we are seeing politicians around the world make decisions that were previously inconceivable. Is it inconceivable that these might include new models that ensure older adults remain productively engaged in their communities? Or that we use this opportunity to restructure health services along the principles of primary health care? The developed world tends to take for granted the trend for people to, not only live longer, but for these added years to be healthier than in the past. But there is growing evidence that this 'compression of morbidity' may be very dependent on access to appropriate health care, and it may not be the case in developing countries. If the crisis results in reduced access to appropriate care in rich nations, and slower development of appropriate health care in others, increased morbidity in older people will be a heavy and expensive burden for us all to share into the future. 

John Beard



John Beard, MBBS, PhD, is an Australian physician who initially worked in primary health care, including several years as medical officer for an Aboriginal Medical

Service. In January 2009 he was appointed Director of the new Department of Ageing and Life Course at the World Health Organization in Geneva, Switzerland.

From the AARP Public Policy Institute

CHRONIC CARE: A CALL TO ACTION FOR HEALTH REFORM

This report, a portrait of chronic illness in the United States, provides a unique look at how patients and caregivers experience the health care system and the challenges of coordinating care. It looks at models for improving care and how health reform can promote better care for chronic illness.

http://www.aarp.org/research/health/carequality/beyond_50_hcr.html

COST CONTAINMENT IN MEDICARE: A REVIEW OF WHAT WORKS AND WHAT DOESN'T

This paper examines the history of Medicare's cost-control strategies and reviews lessons learned from experiences with legislative and administrative initiatives from the mid-1970s until the present.

http://www.aarp.org/research/health/carefinancing/2008_18_medicare.html

HEALTH CARE REFORM: WHAT'S AT STAKE FOR 50- TO 64-YEAR-OLDS?

This paper explores health care costs and coverage issues for adults ages 50-64 and looks at policy implications for health care reform.

http://www.aarp.org/research/health/carefinancing/i24_hcr.html

THE COSTS OF DOING NOTHING: WHAT'S AT STAKE WITHOUT HEALTH CARE REFORM

This chart book highlights the costs of inaction on health care reform from the perspective of consumers, businesses, society, and the nation. It also provides AARP's framework for health security.

http://www.aarp.org/research/health/carefinancing/m7_nothing.html

ONLINE

RESOURCES

By John M. Engel, J.D.
Managing Partner
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EUROPE'S LEADERSHIP ON BIOSIMILARS— A GLOBAL BLUEPRINT FOR GENERIC BIOLOGICS

The United States is very accustomed to generic drugs, so much so that generic drugs now represent over two-thirds of prescriptions dispensed to Americans. After patents expire, virtually every drug in the United States is subject to generic competition, and generic drugs play a pivotal role in delivery of cost-effective health care in the United States and globally. Just a quarter century ago, that was not the case. The United States lacked a generic drug approval process, and some 150 off-patent originator drugs had no generic equivalents competing in the marketplace.

...the EU pioneered a system to approve biosimilars that are as safe and as effective as their originator counterparts...

Twenty-five years ago, the US Congress instilled meaningful marketplace competition and, through it and new research incentives, incentivized the pharmaceutical industry to develop newer and better medicines. The result was a vibrant generic drug industry that drove down drug costs and freed up health care dollars to pay for cascading innovation that delivered numerous life-saving and life-enhancing drugs to treat cancer, heart disease, diabetes, and other illnesses.

Yet, there was a gap. The generic drug law did not cover the biotech industry, which, at the time the law was enacted, had begun developing breakthrough therapies that have revolutionized treatment of multiple sclerosis, HIV/AIDS, Alzheimer's, and other debilitating diseases. These medicines are called

biologics. Today, United States patients lack access to what Americans increasingly refer to as "generic biologics." There are not even generic biologic versions of biotech medicines first approved some 25 years ago—even if their patents have expired.

In contrast, patients in the European Union member states have had access for several years to what Europeans refer to as "biosimilars". This is because the EU pioneered a system to approve biosimilars that are as safe and as effective as their originator counterparts. In doing so, Europe has demonstrated to the world that a sound system to approve generic biologics can be implemented and achieve significant health care savings without compromising safety or efficacy in the slightest.



...many countries are looking to Europe as a model for realizing how generic biologics can be produced safely and effectively and at competitive prices...

In the present economic climate, access to generic biologics has taken on greater significance internationally. While biologics are highly valued for their effectiveness as treatments, their costs, both per patient and collectively on a population basis, are often significant and sometimes prohibitive. With biotech maturing, expiration of patents covering biologics has become conspicuous. As all countries grapple with issues of access to medicines amidst shrinking health care budgets, biotech's positive results have fueled global interest among all stakeholders in systems for approving generic biologics.

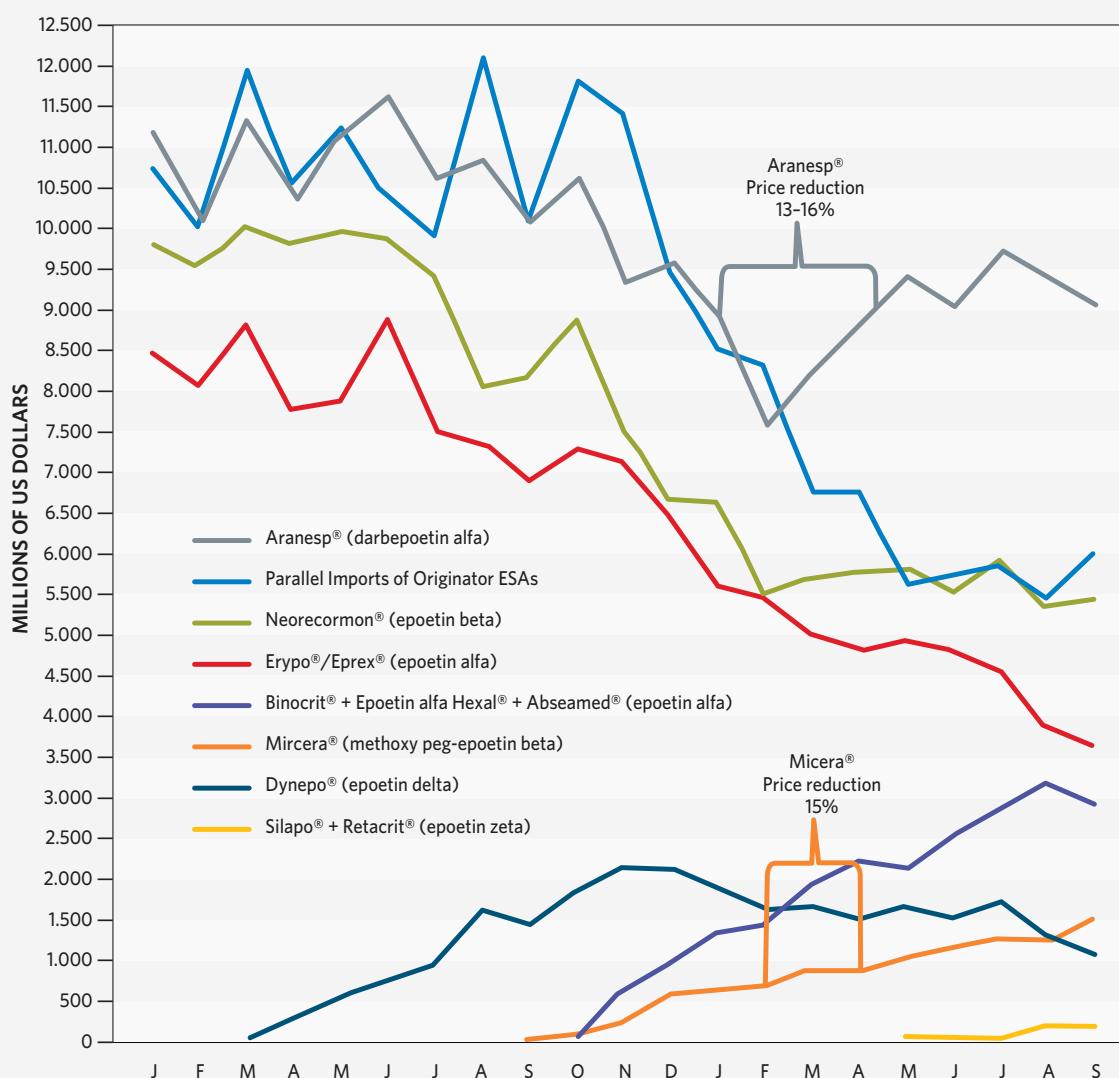
Europe is internationally recognized as having the most advanced system. The roots of the EU's biosimilars approval process trace

back to 2003, and it came into force at the end of 2005. The first biosimilar approval was issued less than six months later; within the first three years, Europe had approved 13 biosimilar applications.

In implementing its system, the EU recognized it needed a regulatory mechanism that accommodates the generally more complex active ingredients in most biologics (compared to traditional drugs) and assures safe and effective medicines. Consequently, Europe chose not to apply the same standards applied to traditional generic drugs. Instead, Europe applied an equally well-established standard for biologics, known as comparability. Generally, two biologics are comparable if they are demonstrated to have "highly similar quality attributes" with "no adverse impact on the safety or efficacy, including immunogenicity," resulting from the biologics' respective manufacturing processes. The scientific rigor of this approach led comparability to be adopted internationally and enabled it to evolve into the "sameness" standard for biologics in the United States, Europe, and Japan.

In adopting this internationally accepted standard, Europe developed a rigorous regulatory framework facilitating comparison of medicines from different sponsors. However, in applying the comparability standards, the EU generally requires more for biosimilars than for originator biologics. To demonstrate comparability, originators typically only make small investments in laboratory testing to generate quality data, without undertaking expensive and time-consuming animal testing or clinical trials. In contrast, once a biosimilar passes laboratory tests, the biosimilar applicant often conducts animal and clinical trials to demonstrate comparable safety and efficacy.

SPENDING ON ERYTHROPOIETIN STIMULATING AGENTS (ESAs) IN GERMANY BEFORE & AFTER LAUNCH OF BIOSIMILIAR ESAs (IN MILLIONS OF US DOLLARS)



SOURCE: Derived from FTC Presentation by Paul Heldeman (Nov 21, 2008), Data Source: IMS Sept 2009 (constant currency exchange rates), available at <http://www.ftc.gov/bc/workshops/hcbio/docs/fob/pheldman.pdf>

During the approximate two-year period plotted in this graph, Germany's spending on ESAs was reduced some 12 million dollars per month—from a high of approx. 42 million dollars per month (Mar 07) down to approx. 30 million dollars per month (Sep 08).

Like other biotech medicines in Europe, biosimilars are evaluated by the European Medicines Agency (EMA). The scientific principles for ensuring quality, safety, and efficacy of biosimilars are identical to

those applied to originators, and the same regulatory review process is applied to both. Consequently, the result also is identical, with biosimilars delivering the same safe and efficacious outcomes:

“[W]e have promoted and developed with the European Medicines Agency a special biosimilars framework. So we are confident that if a product meets all the requirements and gets a marketing authorization from the commission, it means that the product is as safe and effective as any other product authorized by the commission.”

- Nicolas Rossignol, former-Administrator, Medicinal Products for Human Use, European Commission Enterprise & Industry-Pharmaceuticals.

Given the consistency of the regulatory standards and experience of the experts reviewing an expanding base of biotech-based medicines, there have been no unique safety or quality problems associated with biosimilars. For this reason, Europe is continuing to advance its leadership position by pursuing more complex biosimilar candidates like biosimilar monoclonal antibodies.

EMA does not designate biosimilars as either interchangeable or not interchangeable with their originator counterparts. Nonetheless, in approving a biosimilar, EMA publicly states that it “is similar to a biological medicine that is already” approved in Europe “and contains the same active substance.”

Even without interchangeability, the emerging biosimilar utilization data from Europe reflects the potential health care savings. It has been documented in Germany that, in one class of cancer and anemia treatments, biosimilars already have gained a significant portion of sales in the class. As a result of the competition in the marketplace, biosimilars have already saved well over 100 million dollars in Germany alone, through acquisition of lower-priced biosimilars plus the substantial percent price reductions they triggered across the class of originator counterparts.

As patient years of use increase, and as post-marketing data continues showing no difference in safety problems, greater utilization of biosimilars is expected. In the meantime, biosimilar sponsors have shown they can develop and manufacture these important medicines more cost-effectively than their originator counterparts.

Europe balanced out its reforms enabling biosimilar competition by adopting new research incentives to foster continued innovation of new medicines developed in Europe. New exclusivity periods were established. Europe essentially guaranteed originators of future medicines a 10-year, on-market period free from competition, with the potential of an 11th year if the innovator develops an important new use. Unlike the United States system for generic drugs, patent litigation does not impede EMA’s regulatory review of biosimilars (or generic drugs).

Through all these initiatives, Europe has become the world leader in delivering access to quality generic biologics. Europe’s biosimilars introduce competition, reduce prices, and produce significant savings for health care systems and, equally importantly, are as safe and as effective as their originator counterparts. Not surprisingly, therefore, many countries are looking to Europe as a model for realizing how generic biologics can be produced safely and effectively and at competitive prices that can be afforded without undermining the quality of the medicines themselves in any respect. Indeed, among options the World Health Organization is considering for inclusion in guidelines for its member countries is an approval mechanism modeled on the EU’s.

The proven track record of biosimilars in the EU demonstrates the success of Europe's approach. Much of the lessons and experience that can be derived from Europe's tangible results are readily translatable globally, as patients around the world need cost-effective access to appropriately prescribed biologics in all forms—originator and generic biologics. The next logical step is to leverage the European experience and establish an equally effective, flexible, and straightforward system for generic biologics in the United States and elsewhere. With only one minor tweak of the European model—enabling centralized designation of generic biologics as interchangeable—the uptake of generic biologics and the savings they produce could be faster and more significant than even Europe has experienced. **A**

Contributors to Mr. Engel's article include Erin S. Hughes, M.S., Gillian R. Woollett, M.A., D.Phil., Regulatory Scientist and Chief Scientist, respectively, at Engel & Novitt, LLP.

John M. Engel



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regulatory counseling to the global biopharmaceutical and health care industries, biomedical researchers, and patient advocates.

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This AARP Issue Paper outlines the experience of the European Union in creating a regulatory pathway for the approval of generic biologic medicines. It is estimated that generic biologics could save both individuals and the United States health care system billions of dollars. The EU experience offers insight for the US as it seeks to create a regulatory FDA-approval mechanism for generic biologics. This paper will provide a comprehensive look at the complex scientific and legal challenges encountered as part of the development of EU's regulatory approval pathway and outlines how the European Union was able to create guidelines for the EMEA approval of similar biological medicinal products or biosimilars.

http://www.aarpinternational.org/resourcelibrary/resourcelibrary_show.htm?doc_id=918911

ONLINE
RESOURCE



By Clemens Tesch-Römer
Director
German Centre of Gerontology

HEALTH CONSEQUENCES OF EARLY RETIREMENT

Entering retirement is a status passage constituting the transition from mid to late adulthood. For many people—especially those who have had long working careers—this transition from the “second phase of life” (labor force participation) to the “third life phase” (retirement) can be a crucial event.

Is retirement a loss? Is it a gain? Or is retirement just irrelevant to health—an “epiphenomenon”?

The move to retirement can impact leisure activities and social networks, challenge self-images and ambitions, and necessitate adjustment to changed material circumstances. The passage to retirement and its health implications is a subject abounding with assumptions, conjectures and myths. Three questions may hint at prototypical theoretical approaches of the passage into retirement: Is retirement a loss? Is it a gain? Or is retirement just irrelevant to health—an “epiphenomenon”?

> Passage into Retirement as a Loss.

One of the earliest gerontological theories perceived retirement as a critical loss. Since the career role is a pivotal element of identity, at least for those in employment, the loss of this role entails not only the loss of employment but also the status

and sense of purpose that comes with a career. Should the passage into retirement not be superseded by alternative fields of activity, the gerontological activity theory postulates similar consequences.

> Passage into Retirement as a Gain.

Where the late phase in life is soundly cushioned by material provision, the positive aspects of the transition to retirement are often emphasized. Retirement heralds the start of a “late freedom.” The burden of employment is cast aside, time and hierarchical constraints disappear—and the retiree has the opportunity of structuring the time ahead according to his or her own wishes.

> Passage into Retirement as an Epiphenomenon. Changes in health in



Involuntarily exiting from the labor force has lasting negative repercussions on subjective health.

mid and late adulthood are influenced by a number of factors that take effect over time and gradually lead to constraints, losses and (chronic) illness. If this assumption is followed, progression into retirement is not a decisive event, but serves a marker function to signal health and social changes that would or will take place anyway.

What does gerontological literature have to say about whether passage into retirement constitutes a risk factor for deteriorating health and heightened morbidity? Studies published over the past 20 years emphasized that retirement is not a risk for health. With an eye to the theoretical concepts discussed above, the overall conclusion can be drawn that the passage into retirement does not lead to a loss or a gain of health—provided

it takes place at or around the time defined by society as the “standard retirement age”, often around the age of 65 years of age. Research literature contains similar findings in relation to physical, mental, and subjective health. There is no evidence of an increased mortality rate through transition to retirement, provided the reason for retirement is old age and health status at the time of labor force exit is taken into account. Passage into retirement on grounds of age seems to have no major negative effects on physical or mental health. For many people, perceived, subjective health is even positively affected by the passage into retirement. People who worked in higher ranking jobs have more benefit from the transition to retirement than those in lower categories of work. It is possible that education and professional skills are so useful in the structuring of retirement that positive effects on health are felt.

A different picture emerges, however, when retirement takes place significantly earlier (at the age of 55 or before) or in the case of involuntary, forced retirement. Retirement occurring significantly earlier has a negative effect on the health of the individual concerned—also when medical conditions prior to the onset of retirement are taken into account. The relevance of age on retirement as a factor is demonstrated both in regard to the mortality risk (as the “hardest” health indicator) and various health aspects (physical health, mental health, subjective health). Early retirement (prior to the age of 60) seems to entail a heightened mortality risk, not only in the first years of retirement but also in the later years. Studies show that an early and/or involuntary move to retirement is associated with negative effects on physical

and mental health—more so for men than for women. Deterioration of mental health that accompanies an early passage into retirement seems, however, to recede as the aging process continues. In contrast to mortality, exceeding the “standard retirement age” of 65 is relevant to the mental health of early retirees: as time passes, the mental symptoms associated with early transition to retirement recede. Involuntarily exiting from the labor force, on the other hand, has lasting negative repercussions on subjective health. People who retire involuntarily or who were unemployed prior to passage into retirement have a poorer health status in the long term.

What influence does transition to retirement have on health aspects of lifestyles? Findings on this point are inconclusive, partly because there are relatively few studies available on the subject. The hope that passage into retirement will be accompanied by an improvement in health behavior cannot be universally confirmed. There is admittedly a marked increase in the proportion of people who either take up or expand their physical exercise habits significantly following retirement, but it is an open question whether this additional physical exercise compensates for the loss of physical exercise associated with employment. A look at dietary habits reveals both quite optimistic and more pessimistic findings: on the one hand, retirees have more time to prepare meals, meaning that (in the USA) less high-calorie, unbalanced food is consumed outside the home (fast food). On the other hand, people then eat more, with negative effects on weight.

In summary, it can be asserted that it is not so much the passage into retirement that has negative effects on health and social

networks as the way and the circumstances under which this transition is accomplished. An early, involuntary exit from the work force has in all probability negative repercussions for the subjective well-being and health of the person involved. Health interventions could, and should, be planned and carried out in the context of the health behavior of retirees. Physical activity and a healthy diet are the best ways of preventing the progression of existing chronic illnesses, the occurrence of new diseases and the onset of the need for long-term care. It should be the objective of appropriate interventions to see this knowledge absorbed into accepted wisdom, channelled into motivation and goals, and reflected in changes in behavior. **A**

Note

This article is based on an expertise originally published in German by Susanne Wurm, Heribert Engstler, & Clemens Tesch-Römer, Clemens (2009). *Ruhestand und Gesundheit* [Retirement and health]. In Kurt Kochsiek (Ed.), *Altern und Gesundheit* [Aging and health], Band 7 der Reihe “Altern in Deutschland” [Volume 7 of the series “Aging in Germany”], Nova Acta Leopoldina NF, 105, Nr. 369, 81-192. The expertise is available online at www.dza.de.

Clemens Tesch-Römer



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LONG-TERM CARE & LIVABLE COMMUNITIES



By Dorit Fromm
Architect and Writer

One of more than 200 senior cohousing communities in Denmark, Egbakken has a common house centrally placed among the 28 units.

PHOTO: VONDKUNSTEN ARCHITECTS

THE EUROPEAN COLLABORATIVE COMMUNITY: A MODEL FOR SENIOR COHOUSING

“We don’t want old people’s housing; we want housing to grow old in.” This is the mandate that Egbakken, a cohousing group for seniors, gave to its architect. Groups of feisty 60, 70, and 80 year-olds have their own ideas on how they want to live, and they are not willing to sit back and accept the existing options. These individuals are the new innovating developers of retirement housing.

The 28-unit Egbakken is one of more than 200 cohousing for seniors in Denmark, and transplanting this model to the United States is already underway. Unlike traditional housing for seniors, these tailor-made neighborhoods create a supportive community while providing privacy. They offer an affordable way to obtain security and care, while providing more amenities than are available in single-family housing and a return on investment similar to that of traditional homes.

Before moving to Egbakken, Knud and Grete Ebbesen owned a 5-bedroom (plus large basement) 5,500 square foot home, and saw the cost and maintenance benefits of a smaller “footprint.” “We wanted the possibilities to be there to do some things in common with others, but that it would be up to each individual on how to use those possibilities,” explained Knud Ebbesen. American seniors also have downsizing in mind, living in homes that are more efficient, saving energy and providing a greater array of amenities than a single-family residence. But like their European

counterparts, it’s the benefits of having one’s privacy as well as a close and caring community that is most appealing.

The model for senior cohousing grew out of intergenerational cohousing communities that had their beginnings in northern Europe, with the first communities built in the 1970s. Cohousing is typically composed of 15 to 40 households; the units are clustered to save land, with cars parked on the site’s periphery. Units, complete with a bedroom or bedrooms, a bathroom, and a kitchen, generally are designed 5 to 15 percent smaller than an average home, with the space savings used to provide shared amenities such as a dining hall, meeting rooms, guest rooms, a workshop, and other spaces. The common facilities are centrally located, either in a separate common house or under the same roof as the units.

The first US intergenerational cohousing community, Muir Commons in Davis, California, opened in 1991. According to the national Cohousing Network, there are now about 100



PHOTO: VONDKUNSTEN ARCHITECTS



PHOTO: JULIE HANEY AND GLACIER CIRCLE

The country's first senior cohousing, Glacier Circle in Davis, California, has eight homes sited around a central common area. This small senior cohousing community was planned by a group of friends, whose average age at move-in was 80 years old.

intergenerational cohousing communities in the United States, with many more in some stage of formation. As in European cohousing, the US residents not only develop the housing together, but also organize rotating crews to prepare an evening meal several times a week and share responsibility for governance and maintenance.

Cohousing developments for seniors are still a relatively new concept in the US with three completed communities to date. The first, Glacier Circle, opened three and a half years ago, within walking distance of the intergenerational Muir Commons in Davis. "We began with four couples talking about how to help each other age," explains Ellen Coppock, a founding member of the community. The residents, whose average age is in the 80s, developed the \$3.2 million project;

they bought the site, hired the architect, and changed the site's zoning and parking requirements.

The site and unit designs of the eight residences and common house take into consideration the needs of the less mobile: no steps lead to front doors; interior and exterior spaces are well lighted; and wheelchair access is provided, even in the showers. The two homes with a second floor have a downstairs area that can be turned into a bedroom. These energy-efficient homes range in size from 1,023 to 1,536 square feet—significantly smaller than the residents' previous homes.

The ability of the residents to pool resources together will continue to reduce an individual's financial costs. "We can see that in the future we might buy a van and have

a driver, and when more of us need a visiting nurse and care, we can share that, too,” explains Coppock. The common house has an 840 square foot affordable apartment for a housekeeper who helps with common space maintenance and clean-up of weekly common dinners, which range from pot-luck to chef-cooked gourmet.

“While no formal agreements exist between us on how to care for each other, it is understood that we will help, like really good neighbors,” says Coppock. Senior cohousing cannot provide ongoing 24-hour care for chronic disabilities, but it does provide a social network of friends, emotional security, and support.

“Age comes with a litany of diminishment—health, fitness, cognitive ability, income status, and the list goes on,” says 76 year-old Dene Peterson, executive director of Trailview Development, the developer of the mixed-income ElderSpirit Community in Abingdon, Virginia. A desire to foster spirituality—providing new opportunities for growth and meaning during the aging process—is what motivated Peterson to develop the nondenominational ElderSpirit with a core group of like-minded people.

“Creating community is an organic process, beginning with future residents envisioning their own community,” explains Jim Leach, president of Boulder-based Wonderland Hill Development Company, developers of 16 cohousing communities, including Silver Sage senior cohousing. While a core group creating its own community may have to wait four to six years or more from formation to move-in, working with a developer can cut that time in half. Yet, working with a large group of clients can seem daunting for a developer. “The operative word for

developers is control,” says Charles Durrett, of McCamant & Durrett Architects and author of *The Senior Cohousing Handbook: A Community Approach to Independent Living* by New Society Publishers. With this housing model, “You’re challenging the basic premise of developers,” Durrett says. “They wring their hands trying to second-guess the market, when it makes so much more sense to work with the market.”

Compact floor plans in Wolf Creek Lodge, Grass Valley, California, shown in this 958 square foot, two bedroom home, are offset by a spacious common house which includes shared amenities, such as several bedrooms for guests and a one bedroom suite that can be used by a caregiver should the need arise.



MCCAMANT & DURRETT ARCHITECTS

The value of a cohousing community does not come strictly from what is designed and built, but also from the intangible social connections forged among the people, who agree on how they would like to cooperate.

Durrett worked closely with the future residents of Wolf Creek Lodge in Grass Valley, California, a senior cohousing project that is planned to break ground later this year. They agreed ahead of time to only have one car for each household maximum; several have offered to lend their car when someone requires it. At ElderGrace in Santa Fe, a 29-unit senior cohousing project now under construction, future residents have worked together over the past three years to realize their community. “The members have agreed to live in smaller units and give up some individual amenities in favor of shared amenities in the common house,” explains Spencer Haynsworth, project manager at Santa Fe Community Housing Trust, the developer.

The value of a cohousing community does not come strictly from what is designed and built, but also from the intangible social connections forged among the people, who agree on how they would like to cooperate. While development often requires an extraordinary amount of effort and time, which can deter potential residents, the process is a key reason for a community’s later success. Facing the adversity of finding a site, obtaining zoning board approval, and deciding on the color of the rain gutters, all can provide invaluable lessons in working together. Those honed skills of empowered interdependence can prove useful, not only in deciding on the design, but also after moving in. Living in a cohousing community is not conflict free, but residents understand that conflict occurs and are open to talking about, confronting, and solving problems.

Senior cohousing provides the opportunity to tailor a community for aging together. Rather than depending on family, the government, or institutional care, residents can find autonomy and a measure of control over the end years of life. While there can be financial advantages to sharing amenities and the cost for care, the bottom line is that it is all about creating a better day-to-day life for people. **-A**

Dorit Fromm



Dorit Fromm, an architect and writer, currently consults with design and development firms on communications and collaborative senior-friendly developments.



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February 2009
United Nations
Headquarters
New York, NY, USA



Executive Summary

2009 AARP-UNITED NATIONS BRIEFING SERIES ON GLOBAL AGING


In commemoration of the 10th anniversary of the International Year of Older Persons, AARP and the United Nations Programme on Ageing (Department of Economic and Social Affairs) organized a series of briefings on February 3 and 4, 2009. The program focused on social integration—the 2009 theme of the UN Commission for Social Development.

AARP President
Jennie Chin Hansen





Countries must move away from the mindset of thinking about aging issues and family issues separately...



In 1999, the International Year of Older Persons introduced the vision of a society for all ages. Over the past 10 years, this vision has blossomed into an increasingly shared worldview on aging, noted AARP President Jennie Chin Hansen. Scores of countries have engaged in policy formulation and social planning that elevates the interests, rights, and integration of older people. Their efforts have been shaped by the 2002 Madrid International Plan of Action on Ageing, a landmark strategy that continues to guide national priority-setting and policy action.

Yet, much work remains to fully realize the vision of the International Year of Older Persons. Data compiled and presented by the UN Population Division indicate that the number of people aged 60 and over in the

world is expected to triple by 2050. There is growing recognition that enhancing multi-generational relationships improves the economics of population aging and development. In addition, countries must re-engineer their physical, social, and spiritual environments to empower older adults to fully participate in society. Both of these aims are elements of social integration.

PURSUING SOCIAL INTEGRATION

“Social integration is the process of building values, relations, and institutions that are essential for the creation of an equitable and dynamic society,” explained keynote speaker Sergei Zelenev, Chief of the UN Social Integration Branch. It enables all individuals to exercise their rights and responsibilities and to contribute to society.

Protecting the rights of older persons is a prerequisite for social integration, Dr. Zelenev stressed. Many developing countries have yet to enact legislative measures that ensure basic economic security, guarantee equal access to health care, and assure older people’s right to participate in the decisions affecting their lives. In the developed world, ageism tends to be more subtle, but it still results in the marginalization of older people.

Countries must move away from the mindset of thinking about aging issues and family issues separately, urged Dr. Gunhild Hagestad, Professor of Sociology at Norway’s University of Agder. She noted that many policies that would benefit older people are also good for the young. Even when priorities compete, governments should carefully consider how older people could be affected by policy developments in health, education, labor, and housing, among other areas.

It is also important to nurture a social mindset that older people are a valuable development resource, added Hilario G. Davide, Jr., Ambassador of the Philippines to the United Nations. “Countries need to empower older people to be active in society, which means giving them the space and capacities for a more meaningful involvement,” he said.

PROMOTING WELL-BEING AND PARTICIPATION

In Africa, experts worry that the well-being of older people is declining due to changing family structures, urban migration, poverty, and HIV/AIDS, explained Professor Nana Apt, Dean of Academic Affairs at Ghana’s Ashesi University. Yet, even amidst these challenges, grandparents continue to care for orphaned grandchildren and contribute what they can to the family economically. Professor Apt expressed hope that growing civic participation by older people would result in policies that enhance their well-being.

Perhaps nowhere is an empowerment mindset more needed than in developing regions of the

world, suggested Dr. Bernd Marin, Executive Director of the European Centre for Social Welfare Policy and Research. Many Eastern European countries are rapidly “catching up” economically, but the way they address population aging could determine whether such progress is sustainable.

Spirituality is also being recognized as playing an important role in elders’ well-being, explained Dr. Thomas Cole, Director of the McGovern Center for Health, Humanities, and the Human Spirit at the University of Texas, USA. He cited research over the past 25 years that indicates having a sense of life purpose is positively correlated with reduced morbidity and mortality. In addition, when individuals have opportunities for lifelong development, they grow in wisdom and concern for others—which benefits society as a whole.

Another part of promoting the well-being of older people is examining the economic factors that enable them to contribute to society. “The greatest risk we face from this economic crisis is that it could set back what we’ve achieved in the last 10 years,” said Dr. John

Dr. Alexandre Sidorenko
UN Focal Point on Ageing




Beard, Director of Ageing and Life Course at the World Health Organization.

Dr. Beard urged countries not to reverse their investments in the social sector, but rather, to learn from Asia's proactive response to its economic crisis 10 years ago. During the crisis, South Korea chose to extend its unemployment insurance, while Thailand seized the opportunity to introduce generic substitution of medications. Dr. Beard suggested there is a window of opportunity to rethink outdated health systems and retirement policies—and enact new approaches that will empower older adults.

THE LEGACY AND OPPORTUNITY

Ten years ago, the International Year of Older Persons provided the initial contours for a vision of a society for all ages. As noted by

Dr. Alexandre Sidorenko, Head of the UN Programme on Ageing, its legacy includes the Madrid International Plan of Action on Ageing—and all of the progress that plan has facilitated.

Today, forward-thinking countries are continuing implementation of the Madrid Plan of Action by pursuing empowerment of older people as a springboard to social integration. Those that commit to this path will find themselves well positioned for the dramatic demographic change on the horizon. 

For more information about the conference please visit: www.aarpinternational.org/2009UNBriefingSeries, or contact Jessica Frank López, Associate Director, AARP Office of International Affairs at jeffrank@aarp.org

INTERNATIONAL COHOUSING SUMMIT AND 2009 NATIONAL COHOUSING CONFERENCE

June 21-28, 2009
Seattle, WA, USA

The 2009 conference kicks off with the International Cohousing Summit, an invitation-only event bringing together cohousing thought leaders from around the world to exchange histories, ideas, and best practices. Following the Summit, participants can attend a variety of workshops and a selection of cohousing community tours in Puget Sound. Starting June 26, the three-day 2009 National Cohousing Conference, under the theme "Growing Community," offers a wide range of programs geared toward cohousing neophytes as well as old-timers; professionals and planning officials as well as residents.

Host: The Cohousing Association of the United States.

www.cohousing.org/2009/

EVENT



Students perform the 'Mu Lan,' a popular exercise similar to Tai Chi during the Opening Ceremony of the Seniors Academy 10th Anniversary Exhibition at the Macau Polytechnic Institute

Aging Advances

GLOBAL INNOVATIONS TO ENHANCE THE LIVES OF OLDER PEOPLE



INTERNATIONAL

A World of Lifelong Learning Opportunities

During the current economic downturn, many boomers are turning to their community colleges to gain the necessary skills to remarket themselves.

Many national and local governments and foundations are responding to this need by investing more resources in educational opportunities for older learners.

In the **United Kingdom**, May 9-15, 2009 marked the 18th annual Adult Learners' Week. This national campaign organized by the National Institute of Adult Continuing Education (NAICE) offered various events across the country to promote education and

training for adults; provide access to information and guidance; to motivate more adults to participate in learning opportunities and to celebrate the learning achievements of adult learners through regional and national awards. The UK Learners' Week has been used as a platform for other EU countries.

In **Slovenia**, for example, the Slovenian Institute for Adult Education coordinated Lifelong Learning Week (LLW) May 11-17,

2009. Now in its 14th year, the 2009 LLW involved approximately 4,000 events across the country with a special focus on the role of education in a time of crisis. Activities throughout the week promoted creativity and innovation as important factors for social and economic development.

According to an EU-wide survey conducted in late 2007, Slovenia is considered slightly above the EU average with regard to lifelong learning with 27 percent of the population aged 55-64 participating in education (formal or informal). The national statistics office of the Republic of Slovenia suggests that the “acquisition and continuous upgrading of skills and competences is a prerequisite for the personal development of citizens and for the opportunity to participate in the development of society.” Through the LLW, Slovenia is working to establish itself as a “learning country.”

In **Macau**, the Macau Polytechnic Institute (MPI) has established the MPI Seniors Academy which accepts up to 500 students, over the age of 55, for a four-year program. MPI held its 2008/2009 graduation ceremony in May 2009 where certificates were conferred to the 128 students of the Seniors Academy. MPI president Lei Heong Iok said, in a speech, that the graduates would always be welcome to visit the school in the future, adding the graduation marked the “starting point of another stage of life.”

According to the *Macau Daily Times*, applications for the Seniors Academy are on the rise. MPI President Lei is hopeful that the government will invest more resources so MPI can offer different courses and accommodate the growing student body.

Responding to this demographic change, the neighborhood of more than 350,000 people has created the first-of-its-kind university for seniors—la Benito Juárez Universidad de la Tercera Edad

By 2050, one in three Mexicans will be over the age of sixty. The neighborhood of Benito Juárez in **Mexico City** is already experiencing this boom in the older population. Currently, 16 percent of the population is over the age of 60, compared to just eight percent nationally. Responding to this demographic change, the neighborhood of more than 350,000 people has created the first-of-its-kind university for seniors—la Benito Juárez Universidad de la Tercera Edad.

With only half of the population having finished elementary school, the university is in high demand. On the first day that it accepted applications, more than 500 enrolled. By the end of the first week that number had reached more than 1,600. Students from around the neighborhood will have the ability to take a wide variety of classes, including literature, law, computer science, yoga, and human rights.

Ramps, elevators, and escalators ensure that the school is fully compatible to the needs of its students. The school is also equipped with a medical office, legal office, psychology office, a library, and two gymnasiums. This university is providing the resources and the outlet for the seniors of the Benito Juárez community to help them remain active. As Sonia Martinez, a 65-year-old prospective student said, “We have something more to do in life, not just stay at home.”

In the **United States**, a recent survey found that 84 percent of community colleges are expanding programs to accommodate students over the age of 50. In response to the economic crisis, The Plus 50 Initiative, a three-year movement spearheaded by the American

Association of Community Colleges (AACC), is being expanded to help older workers train for new jobs and sharpen their marketable skills. The expanded program will empower more community colleges to offer targeted training programs for the 50+ such as resume tune-ups, job interviewing boosters, computer refresher courses, and certificate programs for training in new careers.

For more information, visit:

Adult Learners’ Week (UK): www.niace.org.uk/alw/2009/default.htm

Slovenian Lifelong Learning Week: llw.acs.si/

Macau Polytechnic Institute Senior Academy: www.ipm.edu.mo/acs/index.html

American Association of Community Colleges—50 Plus: plus50.aacc.nche.edu/



INTERNATIONAL

Social Networks a Boom for Boomers

Lolspeak isn’t just for the kids anymore. Social networking sites like Facebook, MySpace, and LinkedIn are becoming increasingly popular among the 50+.

Take for instance, Kirk Douglas, the 92-year-old actor from such legendary films as *Champion*, *The Bad and the Beautiful* and *Lust for Life*, who updates his MySpace page every week. For Kirk Douglas, social networking gave him his voice back after a debilitating stroke in 1996 left him with a speech impairment.

Social networking has been on the rise, with a Pew Internet and American Life Project survey finding that one out of every three

adult Internet users has a profile on a social networking website, triple the number from 2005. Forrester research found a similar trend, with 25 percent of boomers active in social networks and 60 percent consuming some form of socially created content. MySpace currently boasts more than 6.9 million users over the age of 55 and Facebook is noticing similar growth.

Among 10 countries surveyed from December 2007 to December 2008 by Nielson, Brazil

had the largest market penetration for social networking sites at 80 percent of Internet users followed by Spain at 75 percent, Italy at 73 percent, Japan at 70 percent the United Kingdom at 69 percent, and the United States and France at 67 percent each. Brazilians spend a significant amount of time using social networking sites as well, spending as many as one in four minutes online using social networking websites. Google's social networking tool "Orkut" is especially popular in Brazil, with a market penetration rate of 70 percent.

Facebook was developed five years ago for students to network with each other, but now a majority of its users are over the age of 35, and a quarter are over the age of 50. In the past year, Facebook's greatest growth has come from those ages 35-49 with 24.1 million new users, and 13.6 million new users between the ages of 50 and 64. The United Kingdom represents the greatest penetration for Facebook, with 47 percent of internet users active on the site, followed by Italy at 44 percent, Australia at 38 percent, the United States at 33 percent, and France at 29 percent.

In the recent CNN article "All in the Facebook family: older generations join social networks" (<http://www.cnn.com/2009/TECH/04/13/social.network.older/>), Facebook reported a growing global presence with 70 percent of users living outside the United States and its popularity growing most quickly among women 55 and older. According to *Inside Facebook*, "there are now about 1.5 million female users older than 55 on the site, roughly a 550 percent increase over six months ago." The use of social networks doesn't just represent a demographic change among the users, but also in the amount of use of the

German website "Wer-kennt-wen," or "who-knows-whom" is also popular among older groups by creating online communities for working professionals rather than university students.

website. The amount of time users spent on Facebook increased from 3.1 billion minutes in December 2007 to 20.5 billion minutes in December 2008, a 566 percent increase.

In Germany, social networking website studiVZ was launched, like Facebook, with students in mind. However, with the growth of social networking outside of high school and university students, meinVZ was launched and is open to everyone. The studiVZ network, which includes schülerVZ and meinVZ now has over 13 million users, which is increasing at more than 100,000 new users each week. Collectively, they share more than a million new photos every day for a total of more than 600 million photos—the largest online photo community in Germany. German website "Wer-kennt-wen," or "who-knows-whom" is



also popular among older groups by creating online communities for working professionals rather than university students.

Social networking websites are sprouting up all around the world. The Spanish website Tuenti (a portmanteau meaning “your entity”) is the most popular social networking website in Spain with more than five million users. The Chinese website 51.com boasts more than 14 million unique weekly browsers, followed by xiaonei.com at 9.5 million, and chinaren.com at seven million. The French have Skyrock.com, with more than 15 million profiles and 25 million blogs, and Japan has mixi which boasts more than 19 million users.

Other social networking sites cater exclusively to the baby boomers. Nearly a million people have joined eons.com, a website for boomers to “explore your passions and interests, keep in touch with friends and family, and connect with interesting people to share life experiences, and most of all—have

fun!” More than 350,000 people have joined AARP’s online community to connect with other boomers as well.

Boomers are finding social networking useful in keeping up the economic downturn. Robin Wolaner, CEO of TBD.com (a social network for ‘grown-ups’) said, “We’re finding that these bad economic times are particularly good for social networking... Boomers are really affected by what’s going on, and they like not to be alone with their thoughts.” Boomers are using websites like linkedin to discuss the economic situation and find job opportunities. ▲

For more information, visit:

Pew Internet and American Life Project—
Generations Online in 2009: <http://www.pewinternet.org/Reports/2009/Generations-Online-in-2009.aspx>

AARP Online Community, <http://www.aarp.org/onlinecommunity/>

From the AARP Public Policy Institute

ACROSS THE STATES 2009: PROFILES OF LONG-TERM CARE AND INDEPENDENT LIVING

Published approximately every two years, Across the States presents comparable state-level and national data for more than 140 indicators, drawn together from a wide variety of sources into a single convenient reference.

http://www.aarp.org/research/longtermcare/trends/d19105_2008_atl.html

VALUING THE INVALUABLE: THE ECONOMIC VALUE OF FAMILY CAREGIVING, 2008 UPDATE

This report presents recent data on the economic value of family caregiving at the national and state levels and summarizes findings about costs to caregivers and how caregiving helps contain health care and long-term care costs.

http://www.aarp.org/research/housing-mobility/caregiving/i13_caregiving.html

PROFESSIONAL PARTNERS SUPPORTING FAMILY CAREGIVERS

In a first of its kind collaboration, national organizations representing nurses, social workers, family caregivers, and people age 50+ released this report calling for a redefinition of good patient care to include those family members and friends who provide ongoing, often daily, care.

http://www.aarp.org/research/housing-mobility/caregiving/family_caregivers.html

TAKING THE LONG VIEW: INVESTING IN MEDICAID HOME AND COMMUNITY-BASED SERVICES IS COST-EFFECTIVE

This report highlights research evidence that indicates that, over time, states that invest in home and community-based services (HCBS) experience slower Medicaid expenditure growth than states with low HCBS spending.

http://www.aarp.org/research/health/medicaid/i26_hcbs.html

ONLINE
RESOURCES



THE BIG PICTURE

Kiyotaka Akasaka
Under-Secretary-General
for Communications
and Public Information
United Nations



Newsmaker

INTERVIEW WITH KIYOTAKA AKASAKA

Growing up in Japan, Under-Secretary-General Akasaka learned, as a matter of course, to respect older persons. Revered and treasured, his country's senior citizens have traditionally been honored in many ways. Practical measures have been taken that demonstrate Japan's respect for its aged persons—from reserved “silver seats” on trains, to virtually free health care for citizens over 70. In 1966, the Japanese government designated September 15th as Respect-for-the-Aged Day, a national holiday when many events are organized to pay tribute to the aged. Japan's population is aging rapidly, but many of its older citizens are active in their pursuit of work, leisure, and their health. The country's politicians, many of whom are in their 60s, are still considered “to be greening”.

Our great challenge—and our even greater opportunity—is keeping the aged involved, engaged and informed...

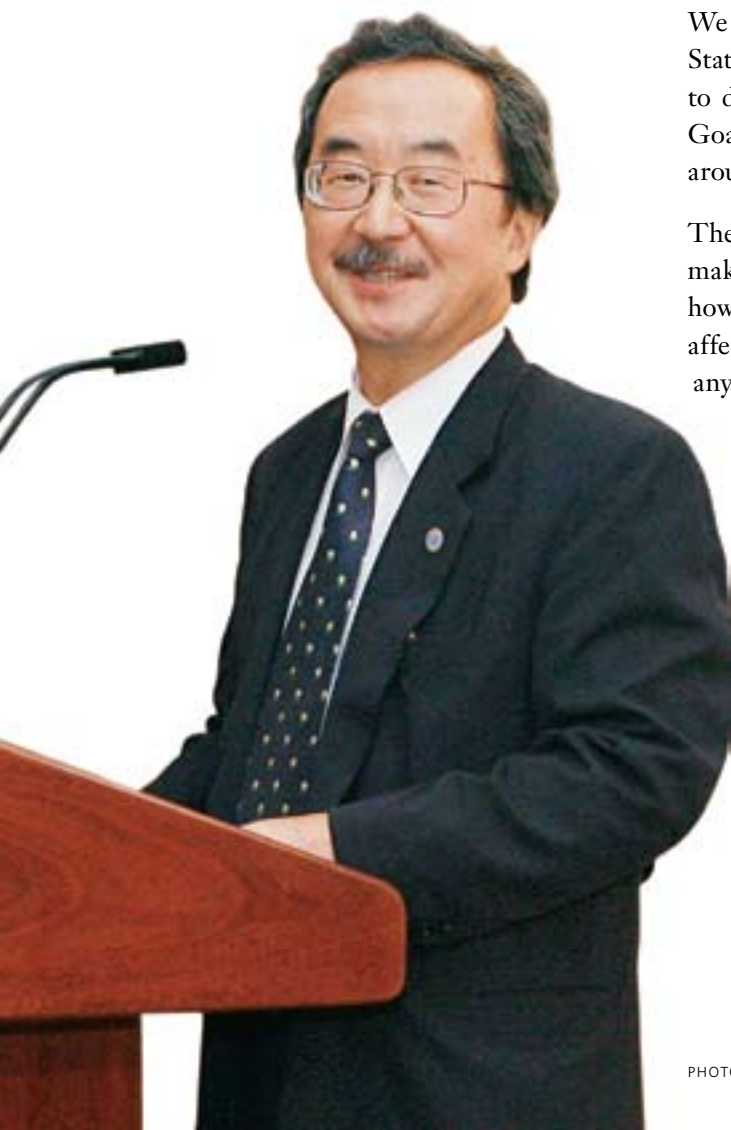
■ **AARP:** Since resolution 47/5, establishing the International Year of Older Persons was adopted by the UN General Assembly in 1999, with a theme “Toward a society for all ages,” the UN and NGO’s like AARP have raised awareness of the phenomenon of global aging. As we enter another decade of efforts to achieve social and economic equality for older persons, what do you see as the challenges and opportunities?

■ **KA:** We are collectively facing numerous challenges in fulfilling our obligations towards our aging population: a sustainable system of social protection, including old age retirement and a comprehensive pension system; an affordable health care system that extends benefits available to older persons; and the participation of older persons in labor

markets—what Europe refers to as a “silver economy”—with opportunities available that permit them to earn a decent living and a secure income.

These challenges are also opportunities for local communities and the global community to address the quite poignant economic issues currently facing the world, and to leverage the enormous potential of our senior citizens to increase our overall well-being. Socially active, self-reliant and healthy older persons are a resource for our families and our communities.

The integration of our aging population into our communities and our policies is of the utmost importance. This is a winning proposition not only for older persons, but



for us all. Our great challenge—and our even greater opportunity—is keeping the aged involved, engaged and informed—especially now that we are facing so many “crises”—the financial crisis, the food crisis, the climate change crisis.

▮ **AARP:** Although older persons are not specifically mentioned in the Millennium Development Goals (MDGs), how has progress on any of the eight MDGs impacted this significant segment of the population?

▮ **KA:** The United Nations counts on the support of civil society, the private sector, academia, institutions and governments to achieve the Millennium Development Goals. We are heartened to know that United States President Barack Obama has pledged to double foreign assistance to help achieve Goal 1—cutting extreme poverty and hunger around the world in half by 2015.

The lack of age-disaggregated data often makes it difficult to measure quantitatively how achieving the MDGs would specifically affect aged persons. However, we know that any progress that we can make towards eradicating poverty will have tangible effects on older persons. In countries where formal pension systems exist and where coverage is extensive, it is assumed that older persons are less at risk of poverty. And yet, the US media is full of stories of retirees whose savings have evaporated, and who must choose between groceries or necessary prescription drugs. Where there are limited pension systems or no system at all, old-age poverty is comparable with national averages.

We must work on improving livelihoods for all. It's staggering that about one billion people in the world survive on less than one US\$ dollar a day. Nearly half of Africa's population lives below the poverty line. Governments are unable to respond to the needs of the poorest and the most vulnerable older peoples. Family members are also unable to provide support for elders, because of poverty and high unemployment. The link between aging and poverty in Africa is evident.

But Africa is not the only region that needs to tackle poverty among its elders. For example, in Latin America 62 percent of older persons had insufficient monthly incomes to meet their basic needs for daily living. Poverty among older persons remains high in too many societies, and the integration of aging into national development plans and targeted strategies for reaching the MDGs should result in important advances in improving the situation of poor and vulnerable older persons.

Another of the MDGs whose achievement will directly affect aged persons is Goal six, combating HIV/AIDS and other diseases. A case study conducted by the World Health Organization (WHO) in Zimbabwe in 2002 found that older persons, especially women, have become the primary caregivers to persons living with HIV/AIDS and orphans. Most of the time they are ill-equipped to shoulder these responsibilities, and they may face financial constraints, severe physical and emotional stress, social stigma, and even violence. According to the study, 73 percent of orphaned children were cared for by a caregiver 60 years old or older (16 percent of caregivers were aged 50-54, 11 percent were aged 55-59). While the international

community is struggling to reach the target of halting and reversing the spread of HIV/AIDS by 2015, HIV prevention remains crucial to preventing our aged persons from having to shoulder the heavy burden of this epidemic. We must redouble our efforts if we are to reach this objective.

■ AARP: What effect will an aging population have on economic growth in Asia? Have the governments of the region taken any policy decisions to prevent any potential economic problems or tap this demographic as a resource for countries in the region?

■ KA: Population aging will present different regions and countries with particular issues. Regardless of its current stage of demographic aging, each region will experience a significant expansion in its older population by the middle of the 21st Century. In many parts of Asia this will mean a slower increase or a decline in the labor supply. This may, in turn, have a negative effect on growth output. The International Labour Organization has projected that by 2020, the labor force growth will slowdown considerably in countries like China, Japan and Singapore, because of significant declines in fertility rates. In other regions of Asia, the labor force will continue to grow, mostly in South-Central and Western Asia. All countries have to make timely adjustments to prevent their economies from being overwhelmed by the consequences of these demographic shifts.

■ AARP: How has the global financial crisis affected older people? What can world leaders do to ameliorate the financial crisis among older people?

■ KA: While it may be too early to statistically assess the impact the global financial crisis has

The world is realizing just how important it is to consider a growing aged population, and we as citizens have a responsibility to remain informed. Knowledge is power.

had on older people, the UN Commission for Social Development introduced the topic as the emerging issue at this year's 47th Session which concluded in mid-February. There is a real danger that social development programs will be insufficiently funded, as countries devote most of their financial resources to shore up their faltering financial and banking systems. The UN Secretary-General has expressed his concern that "the most marginalized and vulnerable groups, such as the poorest, indigenous peoples, persons with disabilities, youth and older persons, will be disproportionately affected by cut backs in social expenditure."

■ **AARP:** In 2009, the UN Commission for Social Development devoted its 47th session to discussions on the priority theme of social

integration, including intergenerational integration. Social integration includes: full employment, poverty eradication and decent work for all. How can states further provide social integration to their older populations?

■ **KA:** The Commission for Social Development focused on the priority theme of social integration, including intergenerational integration. It called upon Member States to work towards implementing the Madrid International Plan of Action on Ageing (2002). The Commission also called upon Member States to adopt measures that would provide economic security and health care to older persons, to strengthen ongoing processes, and to reach out to older persons and their organizations to ensure their voice is heard.

■ **AARP:** AARP's Reinventing Retirement-Asia Conference in Singapore in January 2009 highlighted that 60 percent of the world's older population lives in Asia. While there are significant differences among Asian countries, the speed of population aging in countries such as China and Japan will challenge this part of the world more than perhaps any other region. What suggestions might you offer to stakeholders in the region who are striving in their respective countries to bring population aging to the attention of policy makers?


■ **KA:** By the middle of the century, other more developed countries, including China are expected to catch up with Japan, when 40 percent of each of their population will be 60 or above. The rapid pace of growth of this demographic means that little time is left to adapt to the consequences of aging. Regional cooperation and exchange of expertise between countries like Japan and New

Zealand and the rest of the region could help address the challenges of aging and speed up initiatives in favor of older persons.

It will be important for AARP and other non-governmental organizations to communicate outcomes of conferences and studies, to reach out to the media in order to keep these issues on the front burner. NGOs committed to advocating for older persons must work strategically to hold the media and governments accountable and bring their expertise to our local, national and international policy debates. My Department of Public Information has the important role of ensuring that issues in which the United Nations is engaged are communicated to the public, and we count on the active involvement of organizations such as AARP to make sure information on developments in the UN reaches as broad an audience as possible. The world is realizing just how important it is to consider a growing aged population, and we as citizens have a responsibility to remain informed. Knowledge is power.

■ AARP: Advances in medicine and health care have contributed to higher life expectancies in many countries around the world. How can we continue this progress as countries look towards new reforms in health care systems? What suggestions does the WHO have in this area?

■ KA: Secretary-General Ban Ki Moon is committed to securing global public goods, like our health and the air we breathe. With the World Health Organization, he is pushing to strengthen global public health systems, and has met with people from across the spectrum to make this happen—from the Centers for Disease Control and Prevention

of the United States, to the Elders, the historic group of world leaders convened by Nelson Mandela. He is working to move from a consensus on the urgency of strengthening health systems to serve all, to concrete actions and results. Empowerment, raising awareness, and capacity development will be key to ensuring enabling and supportive environments for our elders. We must remember, respect, and work to advance their health and well-being into old age. 

Kiyotaka Akasaka

Kiyotaka Akasaka joined the United Nations in 2007 when he was appointed as Under-Secretary-General for Communications and Public Information. In May 2008, the Secretary-General appointed Mr. Akasaka as Coordinator of questions relating to multi-lingualism throughout the UN Secretariat. These functions are in addition to his current responsibilities as head of the Department of Public Information (DPI).




By Richard "Mac" Hisey
President, AARP
Financial Inc.

HOW THE GLOBAL ECONOMIC CRISIS IS CHANGING US FOR THE BETTER

And What Can Be Done to Deal with "The Great Recession"

The impact of the worst global economic downturn since the Great Depression varies widely from country to country. But for the average middle class American, the crisis now being called "The Great Recession" is causing a significant transformation in behavior and a paradigm shift away from consumerism and materialism to more traditional family values.



...people are choosing to have dinner at home with their family as opposed to going out to the latest fancy restaurant, and that family time is more important than getting the latest big flat screen TV.

Most of us would agree this is a positive development. On the other hand, it also creates something of a dilemma among those who see growth in consumption as one of the main drivers out of recession because 70 percent of our economy, according to the Bureau of Labor Statistics, is tied directly to the consumer.

Two recent and separate studies, referenced below, have reported remarkably similar findings that show Americans are reacting to the economic crisis by changing their attitudes toward material possessions, as well as their behavior as consumers. While no one knows for sure if this transformation is permanent, it appears we have shifted from being a society of conspicuous consumption into thrift

conscious spenders who place a higher value on personal relationships such as family, children and marriage than on finances.

According to “The 2009 MetLife Study of the American Dream” survey, people are choosing to have dinner at home with their family as opposed to going out to the latest fancy restaurant, and that family time is more important than getting the latest big flat screen TV. They also are shopping more at big box discount stores, spending less on entertainment and moving away from brand-name products to generics.

The American Dream of financial security is now more in line with the dreams of previous generations that valued pragmatism over

consumerism, and placed greater importance on personal life and family than on finances. As the study put it, “the dream has shifted to accommodate the desire to just end 2009 financially solvent with our jobs and homes intact.”

These findings are very similar to a 2009 *Money* magazine study that found nearly 70 percent of those surveyed consider spending time with family more important than ever, while nine out of ten believe they will continue to be more frugal than they were before the crisis. More than half said they felt guilty for buying things they didn’t really need.

Let’s face it. Losing trillions of dollars in savings and investments within such a short period of time has been a shock to the system of millions of Americans, many of whom have seen their life savings greatly diminished. Once they have gone through the stages of grief that often accompany loss, such as shock and disappointment, anger and fear, and finally acceptance, a more sober realism has emerged.

Life is no longer about getting that next big job for much more money, or the next new house and the next expensive new car. As the two surveys indicate, some Americans see the economic crisis as permission to change their behavior. Keeping up with the Joneses has been replaced by the need to keep up with mortgage payments, the car loan and credit card statements. Too many people were caught up in the grind of constantly trying to get that next “I must have it” object or the next rung on the career ladder. Now, they can step back and think about what’s really important in life.

There are mixed signals over whether this shift in values is accompanied by a more hopeful

future. The US Consumer Confidence index rose more than 12 points in April, 2009, its largest one month gain since November 2005. At the same time, the nation’s economy, as measured by Gross National Product (GNP), shrunk by an annual rate of 6.1 percent in the first quarter, a much steeper contraction than economists expected.

While the overall panic mode appears to be dissipating, there are many people who are still worried about losing their jobs, their livelihoods and everything else along with it. A major reason for this anxiety is tied to their prior emphasis on consumerism. There are large numbers of Americans who are only a few paychecks away from being in serious trouble, burdened with too much credit card debt piled on top of high mortgage payments.

For those who didn’t borrow too heavily on their homes, this may be one way to get out from under this excessive weight. They could take advantage of the current low mortgage rates to refinance and clear away all that other unsecured credit card debt.

DEALING WITH THE GREAT RECESSION

Going forward, I believe there are three distinct groups that can play an important role in dealing with this crisis—individuals, Washington policy makers, and the financial industry.

First, people are going to have to be more disciplined and learn to live within their means. They have to have a budget and a financial plan. In creating that plan, they need to be prepared for what we call “Inflection Points,” which are dramatic life crisis events such as job loss, divorce, long-term illness/disability and death of a spouse or life partner.

Too many people today are flying without a safety net, without enough cash on hand, without health, life, auto or home insurance. For them, their first need is to build up a cash reserve. Once they have taken care of immediate needs and have a cash safety net, they can begin to focus on the long term. And here, we're seeing many of our AARP members becoming too cautious by moving entirely out of the equity markets and entirely into cash and cash equivalents.

There are those who think that a substantial up-tick in government spending could lead to a substantial increase in inflation. If an investor moved money out of the falling market and into a safe money market account that pays less than one percent interest, rising inflation could eliminate any gains. This may be a difficult concept for many people to grasp, especially when they've seen their 401(k) employee retirement plans cut in half and the temptation is great to put what's left into safer and secure CDs or money market funds. Still, people are going to have to begin thinking 10, 15, 20 years out and not over-react to the markets in a way that could further impair whatever is left in their nest eggs.

Studies have shown that when markets come back, they tend to come back quickly. Typically, the S&P 500 recovers about a third of its decline within 40 days of hitting a bottom, according to Standard & Poor's Equity Research. Anyone sitting on the sidelines will miss the sharp upswing. Therefore, we favor long-term investing and advise against moving in and out of the market every time it fluctuates up or down. Diversify and allocate your investments across several asset classes such as stocks, bonds and cash. For those on a fixed income, keep an eye on cost of living

...the financial industry could do a lot more to encourage people to save and invest. After all, didn't banks contribute to credit card debt by rewarding card users with frequent flyer miles and rewards points?"

increases and be prepared to move into appropriate securities as a hedge against inflation.

In order to build up a cash reserve, or invest long term, people need income and in most cases that means a job. In this recession, having a job and keeping a job are among the main concerns facing most Americans. Each month another 600,000 join the ranks of the unemployed and for many, a job loss could have severe consequences, because they lack a financial cushion. Would it surprise you to learn that half of those surveyed by MetLife said they could only pay their bills for one month if they lost their jobs?

This is where our second group comes in. Policy makers in Washington have to

think beyond the practice of stimulating the economy by handing out a few hundred dollars and start to focus on creating jobs. There's nothing wrong with giving money to people in need and there are millions of retirees living on fixed income who will put those \$250 stimulus checks to good use. However, I believe that for true recovery, that approach should be complemented with another strategy—job creation. It harkens back to the saying, “Give a man a fish, you feed him for a day; teach him to fish, and you feed him for a lifetime.” Like teaching someone to fish, putting more people back to work allows them to earn a living and be able to clothe, shelter and feed themselves and their families.

Third, the financial industry could do a lot more to encourage people to save and invest. After all, didn't banks contribute to credit card debt by rewarding card users with frequent flyer miles and rewards points? Why not reward them for saving? Give them a reward point or a frequent flyer mile for each dollar they save.

Can you imagine what would happen if we all committed to living within our means; if Washington policy makers broadened their stimulus actions to create jobs so that everyone who can and wants to work has employment; and if financial companies rewarded people for saving and investing instead of buying on credit? That's one dream we, as an organization dedicated to the financial security of all Americans, can embrace. And if we all work together, it's a dream that just may come true. **—A**

Richard Hisey



Richard Hisey is President of AARP Financial Inc., a wholly-owned taxable subsidiary of AARP. Based in Tewksbury, Massachusetts, AARP Financial Inc. is dedicated to helping

people build a more secure financial future by offering products and services designed to meet their retirement needs.

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In the Next Edition of The Journal: Winter 2010

As the United States is engaged in an effort to reform its system of health care, AARP is working to bring affordable health care choices to every American. The next edition of *The Journal* will highlight AARP's role in this campaign as well as how other countries have successfully adapted health-related policies.

The winter edition will feature AARP's Senior Vice President for Health Strategy Cheryl Matheis, who will report on US health care reform and the Divided We Fail national movement that is working diligently with the US Congress to ensure that comprehensive, bipartisan health care reform legislation is enacted in 2009.

We will also look at some of the common health care challenges being faced globally. The European Union Health Commissioner will offer insight on health priorities of the Commission. Continuing our collaboration with the EU Presidency, we will feature the priorities of the EU Presidency, held by Spain for the first half of 2010.

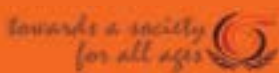
We will also cover public health issues and feature an article from World Health Organization leadership. The WHO will share lessons learned from the outbreak of H1N1, also known as swine flu – with a particular focus on influenza and older populations around the world.

In June 2009, Ladan Manteghi, AARP Senior Vice President for International Initiatives, will represent AARP at the 2009 OECD Forum "The Crisis and Beyond." The winter 2010 edition will include highlights from her panel on "Sustainable Pension Systems."

In the next edition you will also find case studies of the top ten recipients of the 2009 AARP International Innovative Employer Awards

As always, please visit us online at **www.aarpinternational.org** to keep up-to-date on the latest trends on global aging.

A Tribute to Dr. Alexandre Sidorenko



Ten years ago, the United Nations proclaimed 1999 the International Year of Older Persons, focused on the theme "towards a society for all ages" and this vision has been affirmed and strengthened during the last decade. AARP stands fully committed to realizing this vision and we pay tribute to the architects that placed population aging on the global agenda.

As we celebrate this 10th Anniversary, we recognize Dr. Alexandre Sidorenko as one of the world's leading authorities on population aging. Dr. Sidorenko is

nearing retirement from his position as the UN Focal Point on Ageing. He served as Coordinator for the International Year of Older Persons and has been a central figure in virtually every landmark aging agreement, including the Madrid International Plan of Action on Ageing and the UN Principles for Older Persons.

We take this opportunity to praise Dr. Sidorenko for being a leading advocate, working with governmental and non-governmental organizations to create a society in which everyone can age with dignity and purpose. AARP wishes Dr. Sidorenko all happiness and success as he pursues future endeavors.

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AARP aims to help people live longer, healthier, more financially secure and productive lives by identifying the best ideas and practices on key policy issues. We convene international opinion leaders and policy makers to share their expertise and develop research on health and long-term care, older workers and retirement income, and livable communities. AARP's international program fosters this global collaboration and, in the end, acts as a partner and catalyst to governments and decision makers in all sectors to help address and favorably shape the social and economic implications of aging worldwide.

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